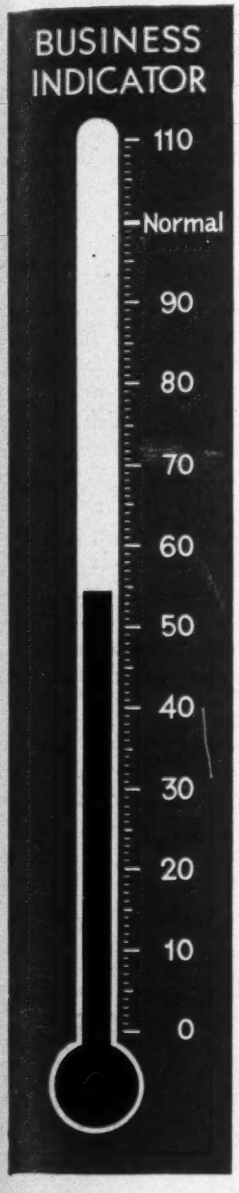
AUG 8 1932

THE BUSINESS WEEK

AUG 10, 1932



The strong speculative movement in security and commodity markets has provided a powerful and pervasive stimulus to business sentiment and a better background for renewed business initiative which organized Administration efforts are attempting to arouse and mobilize. . . . There is evident a commendable determination on the part of the Administration to make the most of the measures which Congress has provided to promote industrial expansion and higher price levels. The comparative clearness of the political atmosphere and improvement in the banking position are helpful for this purpose. . . . Business indicators show increasing stability and commodity prices encouraging strength. . . . Although evidences of actual expansion of productive and trade activity are still slight, scattered and uncertain, the cessation of their relentless recession is reassuring. . . . The problems of putting a decisive stop to the persistent contraction of bank credit, of increasing employment and consumer purchasing power, of readjusting debt burdens to lower income levels and reducing the cost of long-term capital for productive purposes still remain as basic obstacles to quick and easy recovery, although the far-reaching reflationary forces now at work will go far to offset these difficulties as they become effective. . . . The most important accomplishment so far has been the rapid dissipation of the defeatist state of mind in financial and industrial circles and a renewed disposition to believe that, after all, business recovery may be possible and that everything need not go to the dogs, even in the dog days.

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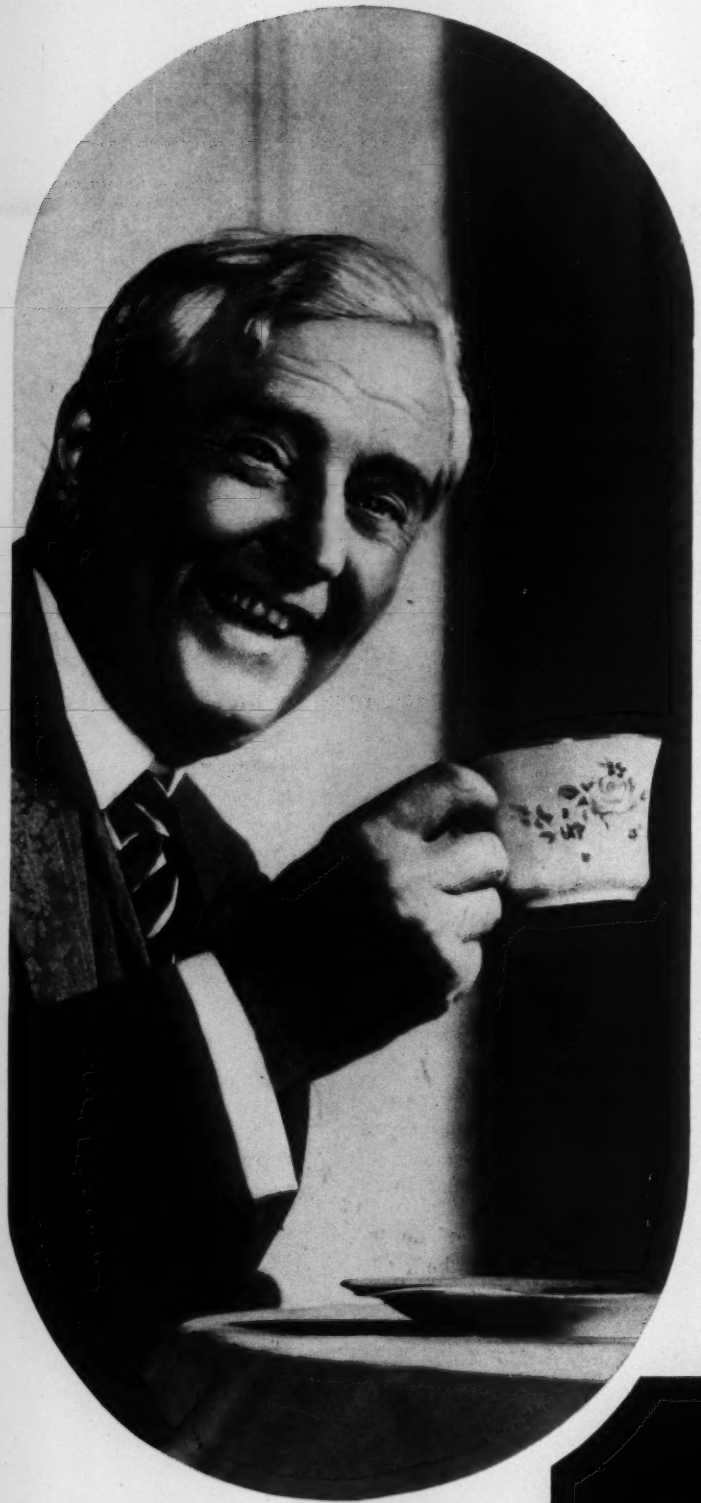


"What a DIFFERENCE"

Today, hundreds of new consumers will use your product. They will compare it with the others they have tried. Unless it reaches them in prime condition, how can they judge it fairly? And what about future sales if they do not find it at its best?

A container that does not properly safeguard the product is a needless (and costly) handicap—whether the product be coffee or paint, tobacco or cosmetics, crackers or drugs, or one of hundreds more. But it is a handicap which American Can Company customers are rarely forced to face. For to Canco research and Canco engineering, the problems of product-condition are far from new. For many years, and in many fields, they have developed containers that win hands down the fight with atmosphere, distance, time. Without these Canco minds, many of the problems might still be left unsolved. Without these containers, the history of many a famous brand might yet remain untold.

It is expensive enough to get new customers to try your product. It is far more costly to disappoint them. If an improper package is the obstacle between your company and greater sales, perhaps the American Can Company, with its rich experience, can break that barrier for you—as it has done for so many customers, large and small.

CANCO

AMERICAN CAN COMPANY

230 PARK AVENUE
NEW YORK CITY

THE BUSINESS WEEK (with which is combined The Magazine of Business) August 10, 1932. No. 153. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1932 by McGraw-Hill Publishing Company, Inc.

This Business Week:

Reconstruction

Mobilization of the nation's new relief and recovery resources begins. Chief emphasis is on coordination of the Reconstruction Finance Corporation with other government agencies to turn the millions of new funds into jobs through self-liquidating construction. *(p. 5)*

Because the industries producing capital goods have suffered the greatest losses in employment and payrolls, and because of their importance in our industrial scheme, there is a strong movement afoot to use federal support here where it will do the most good for employment and purchasing power. *(p. 7)*

The demand for governmental economy is increasing. Hard-pressed tax payers have stopped talking and started shouting. More important, they are organizing to bring about some reduction in the cost of local, state, and federal operations. *(p. 13)*

Marketing

A nation of joiners, we spend a billion a year on religion and brotherly love. Those whose market is the church and the lodge will be especially interested in Part 16 of The American Consumer Market. *(p. 12)*

A "housewares show" focuses attention on those many new gadgets which help the housewife in her various capacities, and help manufacturers of less spectacular merchandise to a profitable market for the products of their machines. *(p. 9)*

Hand-to-mouth operation and accumulated orders are among the reasons for that "textile improvement" heralded so cheerfully in the press. The upswing is real enough at the moment, but the industry is run on a pendulum basis. *(p. 8)*

Marriage of the biggest two piano makers puts a large number of brands under the same roof. Economies will be mainly internal; each will maintain its separate selling identity. *(p. 9)*

Local storekeepers are up in arms against doorbell salesmen. In New York, attempts to tax them out of existence have been declared illegal by the Supreme Court, only reasonable local fees may be imposed. *(p. 10)*

Lumber

Timberland is taxed as "improved" land, not as crop-bearing land. Often, when timber is big enough to cut, it doesn't bring enough to pay the taxes on it. Their trees their capital, many sawmills are running only to pay taxes. The Timber Conservation Board would change the system to a yield tax to stop present overproduction, help the industry. *(p. 10)*

Paper

Newsprint prices and falling Canadian exports once again bring up the subject of mill mergers, obviously necessary, but blocked at present by individual interests. *(p. 11)*

Transport

All railroad tariffs are wonderfully involved; many are governed by wartime rules which permit juggling by knowing traffic managers. The I.C.C. wants this simplified. *(p. 22)*

Salesmen urge the return of the 2¢ mileage books to stimulate trade and traffic. *(p. 21)* The B. & M. will run an "Eclipse Express." *(p. 22)* Extra fare trains, in their present proportion, are all right by the I.C.C. *(p. 22)*

Movies

The film industry, which lived longest in the Gilded Age, presents a sad and sorry picture—with unsound effects—at present. The business which is a gamble anyway is complicated by the real estate situation, overgrowth, and the usual ills of the times. *(p. 14)*

Earnings

Second quarter earnings were expected to be bad. They are. A breakdown by industries shows some putting up a good fight, however. *(p. 16)*

Labor

Employment agencies normally live by commissions on placements. Without jobs to offer, some have asked fees in advance. New York courts have ruled that no jobs mean no fees. *(p. 21)*

Despite popular impression, the cost of living is still above the pre-war level. Food is down, but rent, clothing, fuel are still up. *(p. 20)*

Figures

Commodities maintain their gains; improvement is also visible in the non-ferrous metals. Iron and steel, for no good reason, feel better. Construction turned up in July, due to public works and non-residential building. Coal and electric power rise slowly. *(p. 28)*

Foreign

Cables show continued psychological improvement abroad without real statistical support. Commodities strong; non-ferrous metals rise. Germany more orderly; Britain progresses on debt conversion. *(Survey, p. 25)*

Britain has had to knock a hole in its tariff wall to let in some things not made in the old country. *(p. 24)* The Soviets have reversed the old balance of trade with us, now sell more in the United States than they buy here. *(p. 24)*

In this issue:

"Church and Lodge," Part 16 of The American Consumer Market

"Thirty-four Per Cent Return"

SEEKING ways to reduce costs, the California Fruit Wrapping Mills, Inc. of Pomona, California, found that by changing from induction to synchronous motors, it could improve the efficiency of its motors as well as its plant power-factor. Mr. F. O. Fernstrom, President, says, "This equipment has been in operation seven months and we find the expected savings have been exceeded and represent thirty-four per cent return on the investment."

Saving, $3,800 annually—$2,600 because of improved power-factor, $1,200 because of greater efficiency—on an $11,700 investment; that's what modernization is doing for this progressive concern. In one form or another, the benefits of modernization are evident in every industry.

Electrical modernization is solving many a problem of profits. The facilities of General Electric are at your disposal, to help you plan and execute. General Electric Company, Schenectady, New York.

When you operate obsolete equipment, you pay for modernization without getting it. The right kind of modernization pays for itself.

200-633

GENERAL ELECTRIC

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending August 6, 1932

Hoover Builds His Program For Using New Relief Power

Federal Reserve decides on narrow interpretation of its authority to make direct loans

EVER since Congress adjourned it has been expected that the Administration would announce a positive program to put into effect in some aggressive way the relief and recovery measures provided by the legislation at the past session, and that special steps would be taken to mobilize private business and banking interests and organizations to support and actively apply these measures to expand credit and increase industrial activity and employment. After some delay in signing two of the measures, due to desire to reorganize and secure suitable personnel for the important government agencies involved, the President last week outlined his policies for "organizing concerted action along the front of economic recovery."

There is no indication in the announcement of any drift in the direction of a "super-cabinet" such as rumor has suggested might be resorted to in order to mobilize private business action. He promises that when the program is more fully developed he will confer with the business and industrial committees in each Federal Reserve district and with other groups. In the meantime conferences have been held with the Secretaries of the Treasury and of Commerce, the heads of the R.F.C., the Federal Reserve Board, other government officials, and with representative groups in the country in order to coordinate efforts.

Self-Liquidating Works

Chief emphasis in the program is put on organization of the R.F.C. and its coordination with other government agencies to use the $1,500 millions of new funds given it for self-liquidating public construction work. An eminent engineer will be chosen by the Army Engineer Corps to advise a board of outstanding engineers on the most expeditious use of these funds in stimulating employment. Slum clearance projects under the R.F.C. will receive preferred attention. The Home Loan Board members are being chosen and efforts made to speed the organization of the Home Loan Banks to be operated under it, but it is generally understood that this will take many months and will not mean much stimulation for home building.

Possibly with an eye to the Western states and the price of wheat, special attention will be given to the provisions for extending R.F.C. credit for financing live stock production and orderly marketing of farm products. In this connection the purpose of "supplementing the work of private agencies" in this field is mentioned, probably to pacify the commission trades and the rural banks, who are raising a great outcry.

Organization for wider expansion of credit facilities to business and industry through business, banks, and the Federal Reserve is referred to, still in general terms, "particularly for the purpose of supplying full credit for production where consumption of goods is assured and thus materially expanding employment which has been hampered by dislocation of the credit machinery."

A movement for spreading work through reduction of hours is being discussed, and a conference between the Secretaries of Commerce and of Labor and the New Hampshire exthusiasts for this movement has been held.

No mention was made of the direct unemployment relief loans, but the states have already taken the initiative in this. Applications already amount to more than half the $300 millions appropriated, and the R.F.C. has laid down the policy of apportioning loans on the basis of the amount of local relief funds already raised and used, apparently on

Acme

CHAIRMAN POMERENE—*The former senator from Ohio leaves his Cleveland law practice, answers a call from Washington to head the R.F.C.*

the theory that the less a state has already appropriated, the less it needs.

Apart from the granting of $3 millions to one state as an emergency instalment on its application for relief funds, the most important concrete developments during the past week have been (*a*) announcement by the Reserve Board of the regulations under which it will apply the provisions of the relief Act covering direct loans to business concerns by the Reserve Banks; and (*b*) formulation of plans whereby railway equipment manufacturers will be able to benefit by loans to the railroads through the R.F.C. for repair and modernization of equipment.

Glass's Purpose Defeated

The Reserve Board's regulations drastically restrict the character and scope of direct credit aid to business by the Reserve Banks, and practically eliminate any possibility of competition with member banks, which was counted on by Senator Glass to stimulate more liberal credit policies on the part of the latter.

Reserve Banks are permitted to loan to individuals only on the same kind of paper as that which they rediscount for member banks—90-day commercial paper and 9-month agricultural paper, solely for financing current transactions, fully secured and not renewable. Even such loans are to be made only on evidence that credit accommodation is not available elsewhere, and for concerns or individuals of the highest credit standing. There is of course very little credit demand from such sources, very little commercial paper of this character being offered, and what there is is being eagerly sought by member banks already.

There will probably be little for the Reserve Banks to do under these provisions except possibly in sections of the country where banking facilities have practically disappeared because of member bank failures.

Special Help for Rails

It is quite clear, as a result of this declaration of policy, that no direct credit aid will be forthcoming from the Federal Reserve Banks for stimulation of employment in the industries producing capital goods. For the long-term credit needs of industry generally reliance is apparently to be placed on revival of the bond market, but the railroads, whose credit position is especially poor, are to get special assistance through the R.F.C. for modernizing.

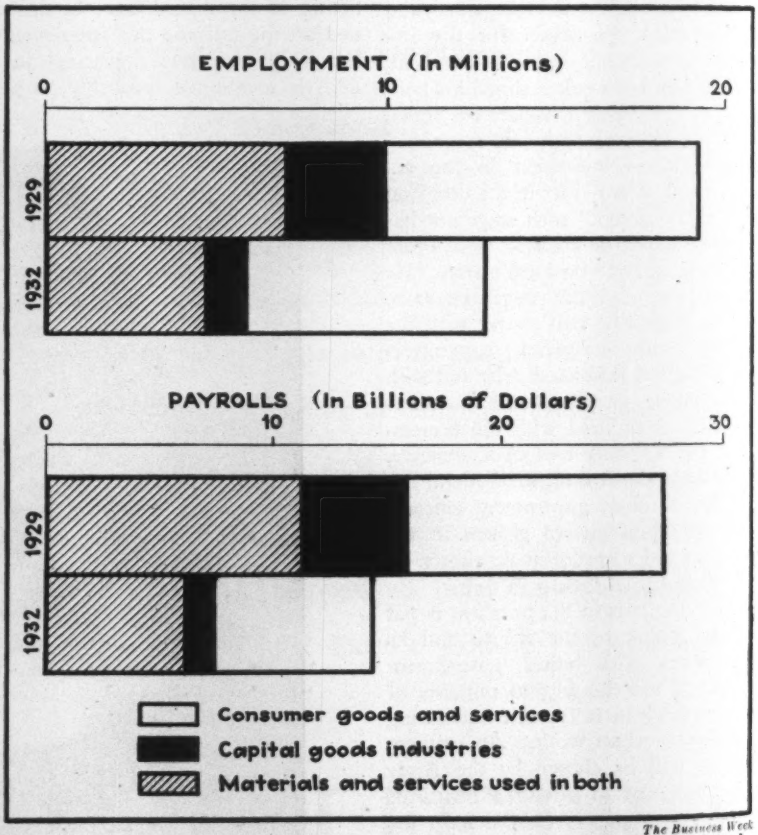
As a result of conferences with railroad executives it is expected that as much as $300 millions of R.F.C. funds will be directly or indirectly made available for this purpose by the R.F.C. under the provisions for financing self-liquidating construction work, although such use was not explicitly contemplated in the Act, and efforts to write special provisions into it for this purpose were strenuously opposed during the past session. Opposition was based largely on the ground that the roads already have a surplus of idle equipment in good repair. Railroad executives say, however, that this surplus is deceptive because the roads have not been willing to charge off obsolete equipment against current earnings; that half a million obsolete freight cars will have to be retired during the next four years; that great economies are possible through more modern types of equipment; and that a considerable surplus of rolling stock is necessary to give service.

The President mentions such modernization of railway equipment in his program as an important stimulus to employment now under consideration, and the discussion of plans for further government credit to the roads for this purpose brought a sharp rise in the securities of equipment companies interested. The problem is apparently one of finding some way to adapt the provisions of the Relief Act to this purpose, probably by setting up some special corporation under which the work may be legally financed by the R.F.C.

Other industries interested in securing credit aid for modernization of equipment as a means of stimulating employment in the capital goods industries have been hoping that the provisions in the Relief Act for direct loans by the Reserve Banks would prove helpful to business generally for this purpose. This possibility having now been definitely ruled out by the new regulations announced by the Reserve Board, organized efforts will probably be made to secure through the R.F.C. the same sort of credit assistance.

A Vital Spot

As is shown in the following article, the decline in employment and loss in payrolls in industries producing machinery, equipment and capital goods of all kinds has been much greater than in other occupations, due to lack of long-term credit for investment in capital facilities and modernization of equipment, and the possibilities of stimulating employment in these industries is considerable.



The Business Week

WHAT SUFFERED MOST—*Based on the latest information available, the chart shows that, among all the industries, those that make capital goods have suffered the greatest losses in employment and payrolls*

Relative Decline in Capital Goods and Other Industries, 1929-1932

Drop in Employment	%	*Number*
Consumers' Goods and Services	24.5	2,297,470
Capital Goods	59.1	1,618,999
Materials and Services Used in Both	34.6	2,452,267
Total	33.2	6,368,736

Drop in Annual Payrolls	%	*(Thousands of Dollars)*
Consumers' Goods and Services	37.5	4,240,919
Capital Goods	72.3	3,161,399
Materials and Services Used in Both	46.6	5,287,281
Total	47.0	12,689,599

Study Shows Capital Goods Industries Key to Recovery

Efforts to get government aid for modernizing plants of vital significance

EFFORTS being made in recent weeks to secure through the Federal Reserve system or the R.F.C., under provisions of recent federal relief legislation, credit support for a program of modernization of industrial equipment and stimulation of employment in industries producing capital goods have been based upon evidence of (*a*) the drastic decline of employment, payrolls, and productive activity in these industries, and (*b*) the scarcity and high cost of long-term credit for investment in expansion and improvement of capital facilities.

The chief criticism of the original Reconstruction Corporation Act was that it used the public credit solely to support existing capital values by aiding banks, other financial institutions, and railroads in avoiding security liquidation, meeting fixed charges, and keeping in an increasingly liquid condition, but did not provide for stimulation of employment and increase of consumer purchasing power by credit support for new enterprise and investment.

Some attempt was made to remedy this defect during discussion of the new Relief Act by providing for direct loans to industry, or by elimination of the provisions in the R.F.C. Act prohibiting loans to banks or railroads to set on foot new enterprises; but in the final legislation only loans for certain types of semi-public construction and for slum clearance were provided for.

Since then there has been increasing realization of the possibilities of stimulating employment and restoring consumer purchasing power through public credit support of projects for improvement and modernization of industrial equipment in every field, and as pointed out elsewhere in this issue, the railroads are by way of getting such assistance under plans now being discussed by the Administration.

The results of a study by *The Business Week*, shown in the accompanying table and chart, based on the latest comprehensive employment and payroll data, indicate that the decline in employment and payrolls during this depression has been much more severe in the industries producing capital goods than in other occupations.

Classified in 3 Groups

In this study all occupations for which official employment and payroll data covering the past 3 years are available have been classified in 3 groups, the first including those industries producing finished consumer goods and services, the second those producing capital goods, the third those producing materials and services entering into both capital and consumers' goods. The total number of employees covered in these occupations for 1929 is 19,208,433, approximately two-thirds of the total number of employees in all non-agricultural occupations, which the National Industrial Conference Board estimated at 29,327,000 at that time. The total decline in number employed up to May, 1932, is 6,368,736, and the percentage of decline is almost exactly a third.

If these changes in employment are applied to the other 10 million employees in other occupations not covered by these figures, we arrive at a total unemployment estimate of 10 million at the present time, which is the generally accepted figure.

Total Wages 27 Billions

The total wages and salaries of employees covered in these estimates was about $27 billions in 1929. This is more than half the total wages and salaries of employed persons in all occupations in that year. The accompanying figures show a decline of about $12.7 billions in the annual payrolls for the occupations covered. This is a 47% drop, and if applied to the total wage and salary income of employees in all occupations represents a decline of about $25 billions in purchasing power of workers since 1929.

While total employment has declined by a third, the drop in consumers' goods and services has been a little less than a quarter, in capital goods more than twice as much, or 60%, and in the industries supplying materials and services entering into both consumers' and capital goods the decline was only about average. As for payrolls, while the total has dropped by about half, in the producers' goods industries they have declined by nearly three-quarters—almost twice as much. Approximately a quarter of the total decline in employment and payrolls is ascribable specifically to the capital goods industries, while if those producing materials and services that enter into both consumers' and producers' goods be included, these industries account for about two-thirds of the decline in employment and payrolls. The dominant importance of these last two groups of industries in the employment and purchasing power problem is seen in the fact that together they accounted in 1929 for over half of the total number of workers in all occupations covered, and for $15.7 billions out of the $27 billions of total payrolls.

New Armco Iron Makes Better Enamel

PORCELAIN enamel has been extending its applications. Once limited to kitchen ware and bathtubs, it now glistens on mechanical refrigerators, gas and electric ranges, washing machines, and gasoline pumps. In a new dull finish, it is

used for shingles on houses (*BW—Aug3'32*).

These new uses go hand in hand with research, are at once cause and result.

Typical of such effort is the new Armco enameling iron called "crystal etched." This new bonding sheet was developed by American Rolling Mill Co. to provide better adhesion between enamel and metal, thus reducing rejection losses. Behavior in process is greatly improved. The finished enamel has greater resistance to chipping and flaking, and fewer imperfections.

Peace Tossed in Own Blanket By Brand New Mill in Georgia

THERE'S war among the wool blankets, where for years there has been peace. This is not world-shaking news, for the woolen bed blanket industry is not the biggest in the world ($25 millions annually, until the slump). But here, in little, is the story of greater economic struggles, in industries, in nations, in the world. It is in the classic tradition.

Savages weave blankets; it is one of the oldest of arts. Blanket weaving was one of the first jobs for the power loom. Naturally enough, it is carried on today by a score of mills, with ample capacity, many of them long-established and by the same token, not all up-to-date.

Everybody Was Comfortable

Everybody in the business was fairly comfortable; there was a pleasant uniformity in prices; production seemed not to get greatly out of hand. There were long-term trends to be sure—blankets with cotton warp cut in a little bit. Various ingenious methods of making cotton blankets feel woolly (for a while) boosted the sales of cotton mixtures at the expense both of wool and of cotton warp with wool filler, especially in the last few years. But in general a nicely stabilized business was enduring just the ordinary vicissitudes of the times.

All-wool blankets, 3½ pound, 66x80 in., bound with a three-inch satin ribbon, opened the season at $3.75. Sales were dull enough.

Suddenly, the Peerless Woolen Mills of Rossville, Ga., announced a line at $2.65.

"The Peerless Mill has no arrangement which will prevent their naming whatever basis of price on their product, in their judgment, is fair and just to both the mill and the buyer," said S. Lewis Hutcheson, president. And he added some significant remarks to the effect that his mill could make other sizes, too, and probably would. He could turn out 25,000 of his leader line weekly, and 10,000 of the more popular 72x84 in. size, probably at about $3.25 for a 4-lb. weight. Virgin wool—but he was prepared to turn out cotton mixtures if competition seemed to dictate lower quality.

Consternation in the blanket industry. After a few weeks of hesitation, a number of the leading makers met the Peerless price. Peerless went to $2.35. Others followed. The end is not yet—competition threatens in other sizes. There are new announcements daily.

Asserts It's Profitable

Accused more or less directly of profitless sabotage, Peerless responded that it was making profits at its announced prices; expected, in fact, to do very well.

Investigation developed that to an industry already equipped to produce all the market demanded, Peerless has added a fine new mill, just completed. Built, of course, at depression prices for materials, labor, and machinery. No burden of old investment, at high cost. And—just as important—modern to the last minute, with its automatic looms of the latest type, and ring spinning, an efficient, economical process still something of a novelty in blanket mills.

It looks a little tough for old-fashioned mills. But buyers face the situation with considerable composure.

Eastman Narrows Film, Widens Kodak Market

EASTMAN KODAK has introduced a new moving picture film, and the camera and projector to consume it, ingeniously devised to meet the new demand for economy in first cost and upkeep.

Known as the Ciné-Kodak Eight, the new camera takes a 16mm. film, but makes 4 pictures in the space of one frame. Half the width of the film is exposed at a time; when run through, the roll is reversed to use the other half.

When developed at the processing station, the film is split down the middle and joined end-for-end to make a continuous 50-foot roll with 4 minutes projection time, the same as the regular 100-foot 16mm. rolls now in use.

The camera has been reduced in price as well as size, costs $29.50, well below 16mm. cameras. A folding finder is cleverly built into the handle. The rewind key folds flat, and the whole affair may be slipped into a coat pocket.

Film costs $2.25 a roll, which includes developing, makes $6 worth of pictures on the 16mm. basis.

Projectors are $22.50, with a motor-driven, special-lamp model at $75.

The new 8 equipment opens up a new and wider market for Kodak.

"Textile Improvement" Needs Interpretation

COTTON, wool, and silk mills are resuming operations. Rayon shows some improvement. Employment in the textile industry is at a level notably above that of a month ago. Newspapers, eagerly looking for encouraging news, have published every item that mentioned increased employment, or longer hours.

Things do look better, but textile men reading the dispatches with discriminating eyes, are not ready as yet to announce that their particular depression is over. Too many of the mills whose reopening was heralded had been closed two weeks for vacation, too many have been opening and shutting down at intervals for the past two or three years.

Producers Watch Consumption

The truth seems to be this: sensibly enough, textile mills in general have been keeping production in close approximation to consumption. Stocks have been worked down to manageable proportions, except in rayon. When there are no orders, the mills close. When a batch of orders accumulate, the mills reopen and fill them.

Orders in May and June sank to a new low level. Evidently buyers were holding them up, uncertain of the outlook. Now the dam has broken and the accumulation of demand is being expressed in orders which make business look rather brisk for the moment. There have been spurts of this kind before in textiles, since the crash, with subsequent relapse into the doldrums. Whether the present improvement will hold is a question.

Mill operations in silk and wool picked up considerably in July. The last week in July, the market for cot-

ton gray goods showed considerable improvement, not yet reflected to the full extent in mill operations.

In all lines, the price tone is firmer, demoralized price slashing has, for the present, ceased.

Meanwhile, some tens of thousands of operatives are earning wages again.

If Housewares Will Sell, They'll Make Housewares

New York exhibit lists strange entries, proves manufacturers alert to new opportunities

DISPLAYS at New York's first Housewares Exhibit, just closed, re-emphasized the manufacturers' drive for markets with new products, and especially a crowding into the home equipment field. Frequently it was a far jump. In turning to different output sales executives have considered only the possibility of increasing their own business, have not worried over the prospect that more business for them may mean less for companies already on the job. A certain result will be more intense competition for the home dollar, with greater values for the consumer through price rivalry.

The Mengel Co., Louisville, large producer of wooden containers, unveiled a midget washing and drying machine to retail at $39.50. It employs a unique method of extracting moisture by water pressure. This is the first of a 20-item electric appliance line. National Enameling & Stamping adventures from its regular product of japanned, enameled, and galvanized metal goods. Its candidates include a new electric combination stove and casserole, a small cooking range that can be attached to a light socket, and other appliances.

From the manufacture of electric drills, Black & Decker Mfg. Co. enters the home market with a portable clothes washing machine. The motor and vacuum agitating unit are attached to the lid of a standard size copper wash boiler. Retail price, $29.50.

Buyers report that housewives aren't replacing wornout equipment with identical models but demand something entirely different. By capitalizing this trend the Wheeling Corrugating Co. reports record business with a square galvanized wash tub—this at a time when sales of ordinary tubs are dragging bottom. The new shape is especially adaptable to mechanical washing machines. Rome Manufacturing Co. challenges the kitchen popularity of aluminum with a new line of copper cooking utensils, chromium-plated on the inside.

Certified Brooms

Even the lowly broom is agitated by the urge to new design and display. The Red Hill Broom Works capitalizes the new standards of the Broom Institute with an improved line for domestic and commercial use. These brooms are certified, individually wrapped, have an attractive display rack. Retailers give enthusiastic reports of the resulting sales. Better merchandising display also is offered by the Columbus Coated Fabrics Co. Its table coverings are stored and shown in an attractive rack which has a straight cutting device and marks every 9 inches which obviate the use of yardsticks or measuring machines.

Department stores furnish outlets to most of the products exhibited. Makers of electrical appliances are evidently giving greater study to this class of retailer. The General Electric Co. displays marked its first participation in a show of this sort. The Apex Rotarex Corp. went to the department store field for a man to head its department store sales division.

Observers report that exhibitors who offered new devices booked orders; others collected handshakes, promises.

The Business Week

COAT POCKET KODAK—*Eastman's Ciné-Kodak 8 slips into a pocket easily, was designed to open a new market for low-priced cameras*

Pianos Harmonize On Economy Theme

CLOSE harmony between the two largest piano manufacturers has been effected through the merger of the Aeolian Co. and the American Piano Corp. into the Aeolian American Corp. The move was anticipated by the trade. Aeolian had large interests in American Piano and the consolidation was a logical step to eliminate costly parallels.

Commentators probably will start to call the new company a "trust" but its executives have no fear of Sherman Act complications. Large manufacturers on the outside with noble names and vigorous organizations will be able to furnish plenty of competition to the combine. The independents include such old-timers as Steinway, Baldwin, and Wurlitzer.

Roll call of the names under the Aeolian American banner takes you

back to the time when a family's social gauge was the brand of piano in its front parlor. The new organization fuses 20 companies, among them Mason & Hamlin, Knabe, Chickering, Weber, George Steck, Fisher, Marshall & Wendell.

Greatest economies will result from concentrating manufacture in a few efficient plants. Instruments have been made in New York, Garwood, N. J., Meriden, Conn., East Rochester, Baltimore, Syracuse, Boston. Aeolian also has plants in London and Melbourne. Piano manufacture probably will be confined in this country to East Rochester and the 2 Boston plants.

Will Keep Old Brands

Existing sales organizations all over the world will be maintained and the good-will of underlying companies will be protected by a retention of the old brands. The Aeolian Halls and the Ampico Halls also will keep their identity. The new corporation will be self-contained in manufacture as in distribution. All elements going into the instruments will be furnished by constituent corporations.

Since the American Piano Corp. had purged its underlying companies of financial weakness through reorganization, the Aeolian American begins life on a solid basis. It announces that it faces the future with "a substantial net worth and working capital and no obligations, and that it will own free and clear the most modern and fully equipped piano building plants in America." W. H. Alfring, president of Aeolian, occupies the same position with the new organization; G. C. Kavanagh, who was vice-president of American, will be executive vice-president.

In January the Pipe Organ Division of Aeolian merged with the Skinner Organ Co., of Boston. This department reports a surprising upturn in business. Dollar sales to June 1 were 78% over those of the 2 companies during the previous 5 months, were 10% above the same period last year. These instruments were bought by churches and colleges. Two explanations are suggested: (*a*) The depression is making people more devout; (*b*) trustees controlling funds for such institutions have decided to help conditions by placing orders now.

Tax Change Is Prescribed For Ills of Lumber Industry

TWO-THIRDS of the gross sales of the lumber industry are going to pay taxes. About 20% of the sawmills in operation today are running only to realize enough cash from capital to pay taxes.

This chronic condition, that is forcing the liquidation of forests through the saws, explains the emphasis put by President Hoover's Timber Conservation Board upon its suggestion that excess reserves of standing timber in private hands be acquired by the state or nation.

An industry that for 25 years has been prudently acquiring raw material finds it so nearly worthless that there is considerable support for the proposal to hand it to the government at bargain prices.

Incidentally, the board's studies during the past 18 months indicate that there are still ample reserves of ripe timber to meet all requirements for many years to come, with large stocks of young trees coming on to replace the marketable supply, provided that the industry can be put on a sound economic basis.

Under present practice, standing timber is taxed as a land improvement and not as crop-bearing land on the value of the land itself. Timber land is assessed annually, taxes are collected annually, with the trees included. This has a cumulative effect and the owner frequently finds that when the timber is big enough to cut, it doesn't bring enough to pay the taxes.

As a substitute for the present system, the Timber Conservation Board recommends the "yield" tax whereby, outside of assessment of land as land, the only tax would be a percentage of perhaps 10% of the gross sales of the timber when cut. This method is commended as beneficial not only to the lumber industry but to the public.

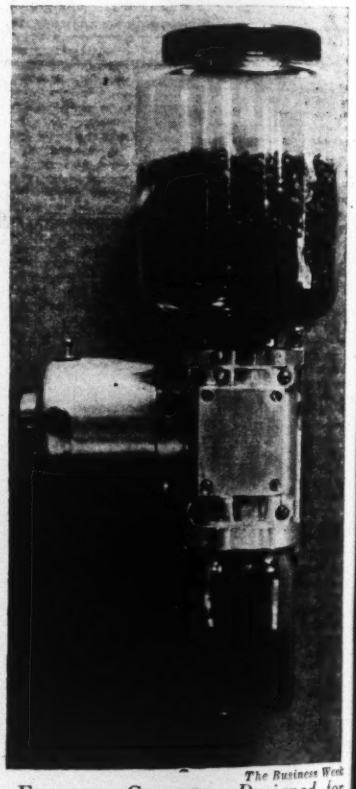
"It is noteworthy," says Wilson Compton, manager of the National Lumber Manufacturers Association, "that the board has pointed to taxation as the principal cause of overproduction and its report this week should prove convincing to the principal timber states."

Creation of the fact-finding board was inspired in the first instance by Dr. Compton, as the hitching-post for a broad program to bring the forest product industries to economic salvation. The economist is the brother of 2 distinguished physicists. Arthur is a Nobel prize winner who is now seeking the origin of cosmic rays. Karl is president of M.I.T.

Storekeepers Lose Fight On House-Door Shopping

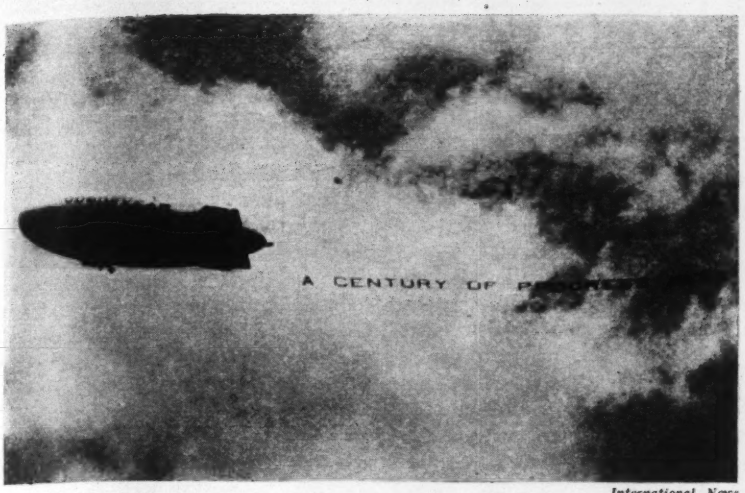
MERCHANTS of New York state are temporarily balked in their battle against peddling trucks sent out by large organizations selling bread, groceries, frozen confections, etc. Stiff fees imposed by municipalities on each vehicle have been declared illegal by the state Supreme Court, which ruled that only "reasonable fees" sufficient to cover administration costs could be imposed. As a result New Rochelle reduced its peddlers' tax from $500 to $25. The Dugan Baking Co., Brooklyn, brought the tax fight into court.

By a special dispensation, Buffalo is the only city empowered to impose heavy taxes. Its rate is $100. Merchants are rousing their chambers of



The Business Week

ELECTRIC GRINDER—*Designed for coffee connoisseurs, this newest household machine provides fresh-ground coffee at the flip of a switch*



International News

ADVERTISING—TOP POSITION—*Goodyear has 5 of these dirigibles that will tow an advertiser's banner across the skies—a new form of display*

commerce, declaring they will obtain from the legislature power to levy prohibitory taxes on such vehicles. Their ire rises when they look out of their heavily taxed and rent-burdened stores to see customers shopping from wheeled vehicles.

Students of retailing doubt the possibility of curbing the peddler. A recent case involves the Fuller Brush Co. and Green River, Wyo. The state Supreme Court held unconstitutional an ordinance which made peddling a nuisance.

Newsprint's New Difficulties Revive Canadian Merger Talk

LAST January the price of Canada's newsprint paper was cut $4 a ton to $53 New York City, less than half the $130 f.o.b. Canadian mills price at the 1921 newsprint peak.

Last month the Dominion's Bureau of Statistics reported that June newsprint exports had dropped to $7,377,790 (to the U. S. $6,501,656) from $10,069,585 in June a year ago, added that production for the first 6 months of 1932 was off 13% from the 1931 level and lowest since 1927.

Last Tuesday 3 Canadian newsprint companies, Price Bros. & Co., Abitibi Power & Paper Co., and the Lake St. John Power & Paper Co. defaulted on bond interest payment.

Newspaper men, like Lord Beaverbrook of London's *Daily Express,* bankers like Sir Charles Gordon, president of the Bank of Montreal, newsprint bondholders on both sides of the border knew that the 3 events were links in the same chain of circumstances, wondered again—as they have been wondering for more than a year—whether such news portended merger or chaos.

The bankers thought they had the answer last spring when Sir Charles led them into a committee under the chairmanship of L. W. Beatty, head of the Canadian Pacific, to work out the long-discussed merger plan, chief impediment to which has been the newsprint companies' individual indebtedness to Canadian banks. They had amassed volumes of data, were approaching the "final stages" of a program to unite the Dominion's newsprint industry into one big organization when Lord Beaverbrook made a flying trip to Montreal to discuss the reorganization of Price Bros., big newsprint company of which he is the biggest customer, asserted that that concern would enter into no merger. Insiders guessed he meant that any merger must be dominated by himself.

Facing this setback and the promise of dangerous outside competition if they went ahead without the assent of the noble lord, the Bankers' Committee marked time. Beaverbrook departed for London in high hopes, promising an early return.

A month later, on July 9, merger talk bobbed up again when he gave out a statement for the press announcing that several security holders and creditors of Price Bros. & Co. had refused his reorganization scheme, said, "I have withdrawn the plan." But interest dates wait for no merger-makers.

Only Way Out

Low prices, depression markets, and progressive mechanization with increasing overcapacity have added enough trouble to the Canadian newsprint industry's financial difficulties to make it seem likely that the long-discussed merger will eventually be accepted as the only way out. Inefficient mills must be re-equipped or eliminated and manufacture concentrated in those that are favorably located—and well able to take care of all the current demand. Bankers and bondholders are getting closer and closer to agreement that the only solution is united control. Meanwhile, reorganization and trimming down of financial setups may make the job easier.

Nervous Consumers Bid Up Lead, Zinc Prices

BUYERS at last have appeared in the lead and zinc markets. As a result of sizeable sales, prices have gone up. Metal men hope the improvement will hold—and they think there is a chance that it will.

In 8 days, the price of lead moved from 2.65¢ to 2.95¢. Even at 2.95¢, producers are not soliciting big orders; any continued buying is likely to put prices up again. During May and June, consumption of lead sank to unprecedented levels — some 21,000 tons weekly. The average even in dull 1931 was 35,000 tons. Prices sagged to the lowest on record. Apparently consumers were not meeting demand, and orders accumulated. Also they got nervous over prices—feared they might miss the boat. Buying began, and a mild scramble ensued as the price moved on its way upward.

The story of zinc is exactly the same, except that zinc at 2.50¢ was not at its all time low. That was 2.27¢, touched two or three months ago. It now is up to 2.60¢, put there mostly by purchases of big steel companies, the principal consumers.

Copper men feel a little better. For one thing, they know of some quiet buying. One of the largest electrical manufacturers in the country accumulated 7,000 tons of the red metal last week.

The Fraternal Spirit Costs Us Well Over $1 Billion a Year

16. The American Consumer Market —A Study by The Business Week

AMERICANS are an eminently gregarious people, renowned as a nation of joiners. Not only do they spend a respectable sum each year for the pleasure, prestige, or benefit of belonging to something and participating in organized activities of every sort, but they exercise their charitable impulses mainly in large-scale organized forms. These associated activities for which money is spent or to which contributions are made by individuals are not primarily political in purpose, as they so often are abroad, for American political parties are supported mainly by direct or indirect contributions from business.

Societies Cost a Billion

The activities included in the classification in this article are chiefly religious, charitable, social, cultural, or educational in their objects, and in a sense even the labor organizations may be considered to exist primarily for such purposes. Expenditures of individuals on them, through fees, dues, assessments, benefactions, and contributions, amount to well over a billion dollars annually, in 1929 exceeded two billions, and have run a close second to individual expenditures on private educational services.

It is of course difficult to separate with any assurance of accuracy the outlay of individuals for these purposes from that of business institutions, which make large contributions to association, charitable, and other activities, and the amounts shown in the accompanying table should not be considered to represent the total income of the organizations concerned in these activities. This is particularly true of contributions to foundations of all sorts, where the income from trust funds or large individual legacies is often the main source of support.

What We Give Away

The John Price Jones Corp. estimates, for instance, that annual philanthropic donations during the period covered by this study were in excess of $1½ billions, reaching nearly $2½ billions in 1929. Of this amount about 40% annually goes to health, education, recreation, and welfare organizations. The larger part of the principal amounts of such benefactions cannot be considered strictly as individual consumer expenditures, and the amounts here shown for expenditures on foundations, homes, etc., represent only the annual income from new endowments for these purposes.

Expenditures on religious activities include not only church contributions but those for auxiliary church organizations of many sorts. Fraternal organizations include such as the Elks, Moose, Lions, and other zoological types, the Red Men, Masons, Odd Fellows, and some 79 other fraternal and secret orders for which Americans have such an extraordinary enthusiasm. The civic associations include, among organizations interested in local or national questions, temperance, prohibition and anti-pro units, as well as patriotic and commemorative societies, like the D.A.R., veterans' organizations, etc., almost without number.

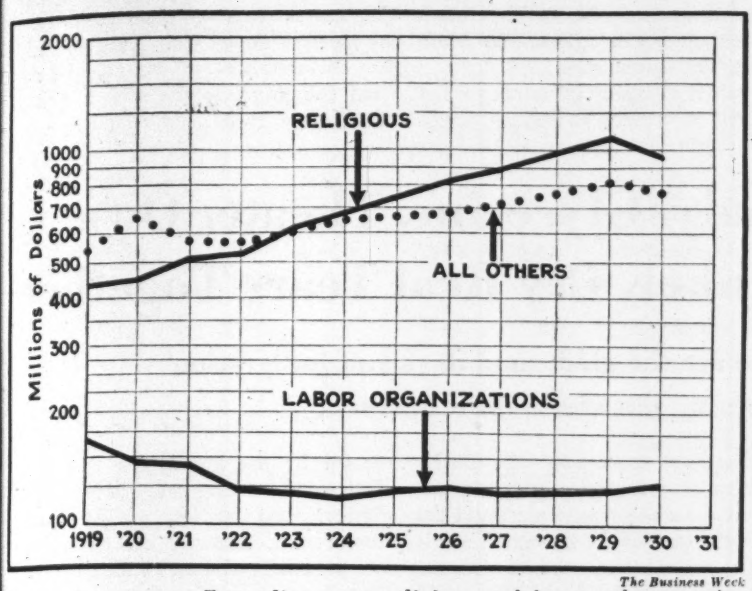
The clubs cover all sorts of social clubs including the federated women's clubs and local women's social clubs—community, literary, sewing, and card. Organized leisure activities include those of Boy and Girl Scouts, Camp Fire Girls, Junior Leagues, young men's and women's associations of all denominations, the Knights of Columbus, etc., and the amounts given cover dues, fees, and benefactions as well as funds derived from special drives. The poor relief organizations include the American Red Cross, Salvation Army, Travelers' Aid, various state and local bodies. Under welfare organizations are grouped the community chests, health centers and councils, racial welfare and continuing activities of that kind. The cultural societies include musical and dramatic, literary, art, scientific, Greek letter, and alumni, and parent-teacher associations. "Labor Organizations" covers the A. F. of L., independent unions, working girls' clubs, and veterans' labor associations.

Religious Expenditures Rise

Religious activities account for the bulk of expenditures in this classification, and have risen relatively rapidly. In 1919 they were a little more than a third of the total, by 1930 greater than half, having more than doubled in the period. The expenditures on fraternal orders, next in importance, have shown relatively little growth. Outlay on clubs, which accounts for nearly all of the expenditure under the item of "Civic As-

Individual Expenditures on Social Activities
(Millions of Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*
Religious	438	454	503	521	614	679	744	822	885	981	1,101	964
Fraternal Orders	321	330	342	346	356	372	377	363	387	394	401	400
Civic Associations and Clubs	76	81	75	81	88	98	106	121	126	126	136	124
Leisure Activities	31	39	22	23	26	29	31	34	38	42	45	40
Cultural Societies	7	8	8	9	9	10	11	12	13	14	15	13
Foundations, Homes, etc	33	36	34	36	37	40	41	44	44	47	49	42
Relief Associations	39	44	47	30	35	44	36	40	48	57	54	63
Welfare Organizations	29	132	48	43	49	52	63	66	73	82	107	101
Labor Organizations	166	147	145	123	121	119	121	124	121	121	122	127
GRAND TOTAL	1,140	1,271	1,224	1,212	1,335	1,443	1,530	1,626	1,735	1,864	2,030	1,874



The Business Week

SOCIAL ACTIVITIES—*Expenditures on religious activity are the most important of all the outlays for social activities of consumers, and have increased most rapidly, while less money has been going to labor*

sociations and Clubs," has shown a fairly large increase, especially in the women's clubs. Expenditures on Greek letter and alumni associations account for nearly half of the amount spent on all cultural societies combined, with scientific associations next in importance in this group. The parent-teacher associations have shown a striking growth, expenditures under this head having increased six times over the period.

Most striking among the changes in the items is the decline in expenditures on labor organizations, due especially to the sharp drop from 1919 to 1922. Since the latter year this item has remained fairly stable.

Welfare and relief contributions by individuals have increased about 2½ times, but the peak of depression demand is not covered in this period and will be seen in subsequent years.

Drive for Cheaper Government Gains New Power and Speed

WITH the formation of the National Economy League, headed by Admiral Byrd, and endorsed by the two presidential candidates, the organized movement for reduction of public expenditures that has been developing during the past two months has come to a head. Branches will be established in every state, and a long list of national and local taxpayers, civic and commercial organizations will be associated with the nation-wide agitation. The League started as an organized effort to fight increasing veterans' aid demands, but has been broadened to cover all government expenditures and to enlist all interests concerned with reduction of tax and curtailment of public services.

At the same time the U. S. Chamber of Commerce has announced the organization of a nation-wide campaign to be conducted through its local membership with special reference to federal expenditures. Early in June a gigantic mass meeting of delegates from the Middle West assembled in Chicago under auspices of the Association of Commerce to urge further reduction of federal outlays and the abolition of government bureaus. In the past few months many important local business organizations have issued similar declarations.

The New York State Economic Council, which has been specially active in agitation for economy in state finances, is organizing local branches in many sections of the state, carrying its campaign down to the municipalities. In New York City, even Mayor Walker has been forced into line by local pressure and has commanded a voluntary cut of a month's pay for city employees. Back of these developments has been a widespread chain-letter campaign, sponsored by important industrial concerns, demanding a 25% cut in federal expenditures for the next fiscal year.

Investment Bankers Active

Investment banking interests have taken an active part in this campaign, especially in the reduction of local government costs. The Investment Bankers' Association has promulgated a series of rules for local and state finance, which include curtailment of operating costs, postponement of public improvements, and relief of real estate tax burdens through sales and excise taxes.

As a result of the pressure of organized effort along these lines there has been a slight easing of local tax burdens in some sections. In some instances the movement for reassessment of property values has been successful and has started the delayed landslide of deflation of real estate. General postponement or suspension of public improvements has assisted this readjustment. Reductions of salaries of public employees have become fairly general.

In many cases unemployment relief burdens have been passed on to local retail merchants under the system of food orders which has become established as more or less common practice under the advice of the Gifford committee. The indefinite delays in reimbursing merchants under this system have temporarily relieved local finances at the cost of considerable distress among the merchants themselves, so that in some centers like Detroit and New York organized resistance has arisen. Relief loans from the R.F.C. will have to be used in part to pay off these private creditors of local governments for postponed public relief expenditures.

Municipal Bonds Rise

One noteworthy result of the drive toward a balancing of local budgets has been a marked improvement in prices of municipal securities in some cases, especially of New York City. In consequence many communities are in a better position to borrow, and the demand for good municipals among investors has been active. But the campaign for economy and for suspension of public improvements has also been so successful that few communities want to borrow. New bond issues voted by taxpayers in July amounted to only about $1½ millions, lowest in years and contrasting with over $12 millions last year.

There is even some evidence that local

governments are reluctant to use the facilities of the R.F.C. to undertake self-liquidating public improvements, and there may therefore be some difficulty in getting work of this sort started in large volume. In several instances the economy campaign has taken such strong hold that federal appropriations for post-offices have been refused.

Among the states the movement for forms of local sales taxation seems to be growing rapidly. About twelve states are giving the question serious consideration. Alabama and Illinois have special legislative sessions within a few months at which the issue will come up. In West Virginia the gross sales tax in operation since 1921 has become a principal source of revenue. The experience of Mississippi, which recently put a general sales tax in operation, and is pleased, is cited as an example.

In the federal field, the budget for the fiscal year ending 1934 is in process of preparation. The extent to which cuts will be made in response to the current economy campaign depends partly on the outcome of the fiscal situation for the current year. First returns from the special excise taxes in the new revenue measure are said to be up to expectations, but it is recognized that the yield of some of the new taxes, especially the check tax, will be disappointing. Expenditures under the new relief measures are also unknown, but operating outlays were cut nearly $50 millions below last year for July.

Moreover, since fully three-quarters of the federal budget each year represents fairly fixed outlays for public debt charges, army and navy costs, and charges for care of veterans, it is doubtful whether the goal of a 25% reduction in the federal budget set in the current economy campaign can be realized without practically abolishing the civil functions of the government.

There is some expectation that before the next fiscal year the Treasury may attempt some refunding of long term debt which will take advantage of easy money market conditions and reduce interest charges, but current Treasury financing of relief needs will be an obstacle unless business recovers.

Power Entering State Is Taxable As a Commodity

TAXING electric current brought across state borders for sale within the state is not taxing interstate commerce, and is within the authority of the state, according to a decision of the U. S. Circuit Court in the case of the South Carolina Power Co. against the South Carolina Tax Commission.

The power company generates part of its current at a plant at Stevens Creek, Ga., and at times purchases power from the Georgia Power Co. The court held the circumstances to be no different from bringing into the state a carload of fertilizer, to be sold retail.

Gladys Glycerine, Theater Owner, Banker, Cry Real Tears Together

Gone are the glad, mad days and indigestion is paining the whole show business

THOSE sadistic economists who justify enjoyment of present-day pangs by citing their value as correctives should delight in the state of the theater. Thespis is doing an Eliza across the ice with the hounds yipping at her heels. The 10% federal tax has reduced receipts below the point to which they had been depressed by the slump and hot weather; meanwhile commitments made during the boom are coming home to rap insistently on the office doors of executives.

President Aylesworth of Radio-Keith-Orpheum says attendance of movie houses has fallen from the 10 millions daily of 1928 to 6 millions. He told movie magnates that if expenses weren't cut to fit income the whole industry would go into receivership. The bankers blenched at this. They now are harassed by a horde of fairly manageable orphans; if the number is increased by the bespangled hussies of Hollywood banking is apt to lose all its dignity, and a lot of its funds. Conservative financial experts looking into the affairs of some of the companies have come up gasping for air.

The celluloid drama comforts itself with the knowledge that it is not as badly off as its flesh-and-blood rival. Of New York's 80 "legit" theaters, 7 are now open. Two of these are about to "fold." (Normally New York would have 15 to 20 shows.) A 42d Street theater is being torn down. Chicago is showless. Some theaters there are renting lobbies to cold drink stands. San Francisco is without a legitimate play, for the first time in the memory of the oldest actor.

Formerly the big movie houses were aided in keeping open during hot weather by their cooling installations.

Acme

ECONOMY LEAGUERS—*Left to right, standing, are Royal C. Johnson, Harold Beacom, Grenville Clark, George W. Rossetter. Seated, are Admiral Byrd, chairman of the organization, and Archibald Roosevelt*

What's Happened to the Movies

Firm	Approximate Number Theaters		Capitalization		Latest Earnings Report	
	1927	1931	1927	1931	Period	Net Income
Fox Film	300	1,000	$18,317,000	$148,611,000	13 weeks end. Mar. 26, 1932	d $1,372,941
Paramount	300	1,600	135,069,000	237,984,000	Quarter end. April 2, 1932	d2,450,911
Loew's, Inc.	115	200	68,209,000	87,994,000	12 weeks end. June 3, 1932	§2,110,076
Radio-Keith-Orpheum*	†100	†204	57,478,000	106,051,000	Quarter end. Mar. 31, 1932	d2,166,714
Warner Bros.	‡	600	10,202,000	166,756,000	26 weeks end. Feb. 27, 1932	d5,267,699

*Radio-Keith-Orpheum was organized in 1928; figures for 1927, therefore, are for predecessor companies.

†These represent theaters in which company has an interest of 50% or more; a large number of theaters were also operated in which company had less than 50% interest.

‡Entered exhibition field in latter part of 1928 with acquisition of about 300 theaters.

§Net income is before subsidiary preferred dividends; earnings per share are on common stock after deducting subsidiary preferred dividends and dividends on company's own preferred stock.

d Deficit.

Not so this summer. Roxy's—"largest theater in the world," "cathedral of the motion picture"—is closed and in receivership. Other big metropolitan houses are dark. Closings in Detroit reduced seating capacity of first-run houses by 5,000. A greater cut has been made in Chicago. In some cases shortage of first-run pictures is blamed. Many landlords, alarmed at the prospect of no rent or returned properties, nave cooperated on relief.

Variety reports that half of the 1,600 Publix (Paramount) theaters have been aided one way or another. In some cases leases have been reduced, in others rent moratoria granted for the summer, in still others rent was scaled down for stated periods. Savings also have been made in production, overhead, and the fantastic salaries of the golden years. Many a Gladys Glycerine is crying real tears because she has been cut from 3 grand (thousand to you) a week to a measly 1.

Weren't We All?

The most solemn and conservative businesses went slightly goofy during the boom. Small wonder that the movies (having already a head start in goofiness) staged expansions that now appear incredible. The accompanying table showing the condition of the 4 leading production and theater-owning companies forcefully tells the condition in which the industry finds itself.

In defense of the movies it must be said that it is an industry by courtesy only. Stage and movie production was, is, always will be, a gamble. Income depends on producing something that will ensnare the public interest. No formula is possible to measure this beforehand. Thus the sinking of $1,000,000 in a movie production is comparable to betting that much on a horse race. Money so hazarded produces tremendous gains or tremendous losses. Fabulous winnings of the first adventurers, the discovery of a new Klondike in sound pictures, the huge earnings up to 1929, drew new plungers into the game. The resulting risks are now threatened with liquidation.

A Furrier Shows How

In the big four, the only organization making money is that founded by the late Marcus Loew, who started in the fur business. He began by picking up theaters in New York when they could be had at bargains. Later he went into production, through Metro-Goldwyn-Mayer. His theater chain was mostly in the metropolitan area and in Ohio. This company alone indicates careful growth as contrasted to wild expansion. It was largely an attempt to emulate Loew's success that, during the boom madness, drove rival companies into a frenzied scramble for theater properties. Astute owners played one chain against another to obtain fantastic prices for theaters and this surfeit of indigestible gobblings is the principal cause of present sufferings.

There has been considerable swapping of doctors in the middle of high temperatures. After William Fox was blasted from the organization bearing his name, Harley Clarke, of Chicago, took the case. He has been superseded by Sidney R. Kent, who came over from Paramount. John Hertz, formerly of Chicago Yellow Taxi, now heads Paramount and it is said that William Wrigley, Jr., has come into the picture with some of his chewing-gum profits. Jesse L. Lasky, formerly in control of finances of the organization and one of its founders, apparently is on the wane. The old management of Warner's and Loew's still are in control.

The present condition of Paramount is an indication of what runaway optimism can do. In 1926 it had some 200 theaters; by 1931 the number had multiplied 8 times. Many of these acquisitions were effected by exchange of stock; the company agreed to repurchase at prices averaging $80. When the price of Paramount securities began to tumble, the majority of the option holders turned in their stocks at the agreed figures. This drain, coupled with dividend payments, since discontinued was too much for the liquid reservoirs of the company. Large temporary loans were obtained from banks and the day of reckoning is dreaded by all concerned. Paramount film negatives are "up" as security for a $13-million loan which can't be called until April, 1933. The company is being sued by security holders who protest the use of such collateral.

The Laundry Is Waiting

Other companies are being sniped at by stockholders who allege insolvency. These have prodded executives to attempts at economy. Layoffs have been numerous, pay cuts deep. Metro recently made a slash ranging from 5% on small salaries to 35% on large. Warner's added to cuts a one-week moratorium on pay during August. An estimated annual saving of $18 millions has been made by the industry.

It is not believed that enough reduction has been made—certainly it will fall short if business continues to decline. Result? The inevitable washing out (and up) of many securities with readjustment of the companies to a capital basis that will allow profits from the smaller incomes.

Earnings At New Lows Show New, Perhaps Significant, Trends

Breakdown of second-quarter reports reveals what industries are checking the decline

THE fact that corporate earnings for the second quarter of 1932 sank to new lows is not news. The record percentage declines revealed in comparisons with this year's first-quarter reports and with those of the second quarter of last year were expected and have been largely discounted. The unfavorable showing for the half-year when placed against that for the first 6 months of 1931 will be no surprise. But the not-so-grand totals aren't the whole story. Shrewd observers who don't waste time on "I-told-you-so's" are finding in breakdowns like the one published on this page indications of trends that are likely to become news later on.

What Figures Show

For the surface-skimmer the totals show that the first 191 companies to report second-quarter figures to Standard Statistics recorded a decline of 22.4% from their first-quarter income level, of 73.1% from that of the second quarter of 1931. And the 269 reporting for the first half-year dropped 65.2% below their showing for the same period a year ago. Excluding General Motors, A.T.&T., and U. S. Steel—with its mammoth deficit—from these totals reduces the declines to 9.4%, 67.5% and 62.4% respectively.

In all the comparisons the railroads —for reasons that need no repetition— are the worst sufferers. The utilities, which showed some plus signs in analogous comparisons a year ago, are now sporting minuses in all categories. Industrials have slipped off in all except one highly significant figure. Excluding General Motors' mass profit and Big Steel's mass deficit from the comparison of second-quarter reports with those for the first quarter, the statisticians are able to point to some evidence that the seasonal breeze is still blowing, even if it has dwindled to the sigh of a zephyr.

Seasonal Influence

On that basis 159 industrials pushed earnings a hard-won 1.1% above the valley level of the first quarter. Those who search the figures find the contributory factors highly interesting, perhaps portentous. They dwell longest over the influence of the oil industry's achievement in putting its house in order *(BW-Aug3'32)*, note that the 11 oil companies whose earnings are reported in the table on this page converted a deficit of $14,045,000 for the first half of 1931 into a net of $6,565,000 for the first 6 months of '32, coming out of the red in the second quarter.

Other industries helped. Like the oil companies, household products concerns and railway equipment manufacturers that ended the first quarter on the wrong side of the ledger crossed over in the second. Sole group to report a gain over the first 3 months' showing, 4 tobacco companies translated a cut in materials and other costs into a 10.5% rise in net. Textile mills and machinery plants proved that they were headed the right way by reducing their deficits. The persistent food products industry held its loss to 5.5%. Seasonal influences helped some.

Best performers in a poor show on all 3 comparisons—second quarter with first, second quarter with second of '31, and first half with first half of '31— are food products, oil, medicines and drugs, office and business equipment, and, as a whole, the utilities. If the quality of their performance is relative, it is still notable in a time when only a theory of relativity will give business its bearings.

Among the star performers it is possi-

Second-Quarter Earnings by Industries

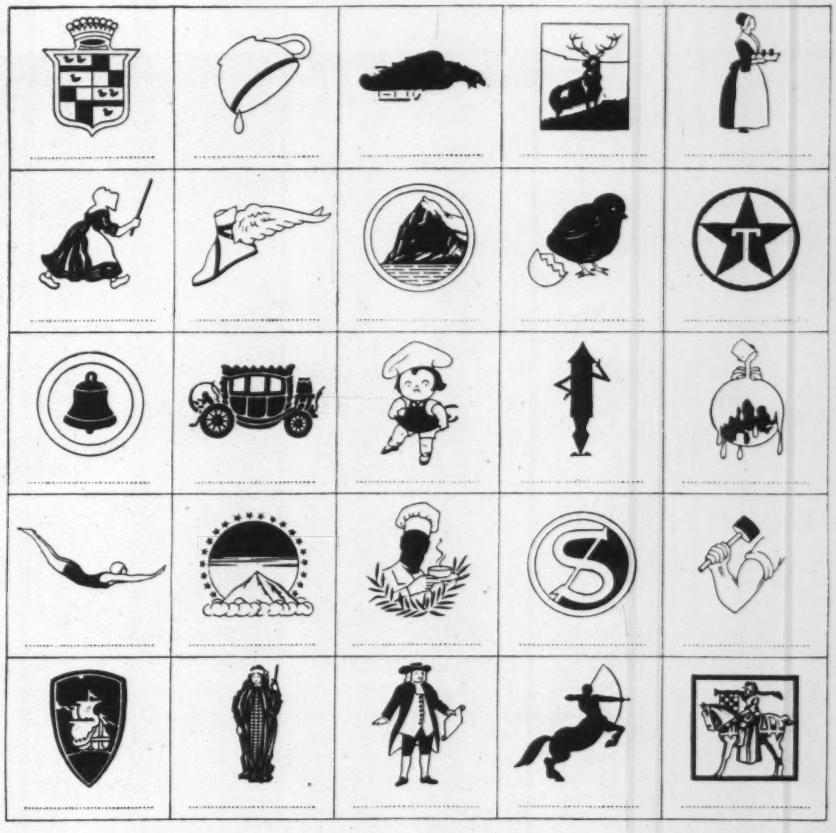
Number of Companies	Group	% Change from First Quarter 1932	% Change from Second Quarter 1931	1st Half: Number of Companies	1st Half: % Change from 1st Half, 1931 to 1st Half 1932
5	Advertising, Printing, Publishing	—23.6	—35.2	6	—40.2
1	Aircraft	D	LD	2	—53.8
9	Automobiles and Trucks	—37.9	—95.0	10	—91.2
12	Auto Parts and Tires	—76.0	—95.0	13	—82.8
8	Building	LD	D	10	D
11	Chemicals and Fertilizer	—34.8	—60.1	13	—45.5
5	Coal	LD	LD	7	D
5	Electrical Equipment	—65.1	—91.4	6	—82.1
20	Food Products	—5.5	—29.9	25	—27.4
6	Household Products	I	—73.0	10	—95.3
1	Leather and Shoes	LD	LD	8	—50.2
7	Machinery	SD	D	10	D
4	Medicines, Drugs	—21.2	—20.3	5	—26.5
4	Metals	LD	D	6	LD
15	Miscellaneous	—5.5	—36.8	31	—33.9
3	Office and Business Equipment	—24.4	—35.4	3	—29.6
11	Oil Producing and Refining	I	I	14	I
5	Paper	D	D	6	D
2	Railway Equipment	I	—62.7	3	—77.3
4	Retail Trade	—71.6	—91.5	8	D
...	Shipping	.....	.....	1	D
14	Steel and Iron	LD	D	18	D
2	Textiles	SD	LD	6	D
1	Theater	—34.4	—32.5	1	—40.9
4	Tobacco	+10.5	—46.4	5	—47.5
159	Total Industrials	—41.3	—89.5	233	—83.1
157	—Excluding General Motors and U. S. Steel	+ 1.1	—65.7	231	—66.1
13	Utilities	— 8.7	—21.0	16	—18.6
12	—Excluding A. T. & T.	—14.1	—28.5	15	—22.6
19	Railroads	LD	D	20	D
191	Total Corporations	—22.4	—73.1	269	—65.2
188	—Excluding General Motors, U. S. Steel, A. T. & T.	—9.4	—67.5	266	—62.4

I. Change from deficit to income
SD. Smaller deficit
D. Change from income to deficit
LD. Larger deficit

Standard Statistics

Whose trade-marks are these?

Below are reproductions of various nationally advertised trade-marks. The identifying names have been removed. How many can you identify? Please don't look up any of them, but fill in as many names as you can from memory.



How well-known are these Trade Marks?

Advertisers have shown much interest in the results of this simple question game originated by us to test public familiarity with trade-marks.

The sheet that is reproduced above was circulated among thousands of people of all classes, most of whom seemed to regard it as an amusing guessing game.

The result gave some really valid information not only to the owners of these trade-marks but to anyone interested in the hows and the whys of advertising.

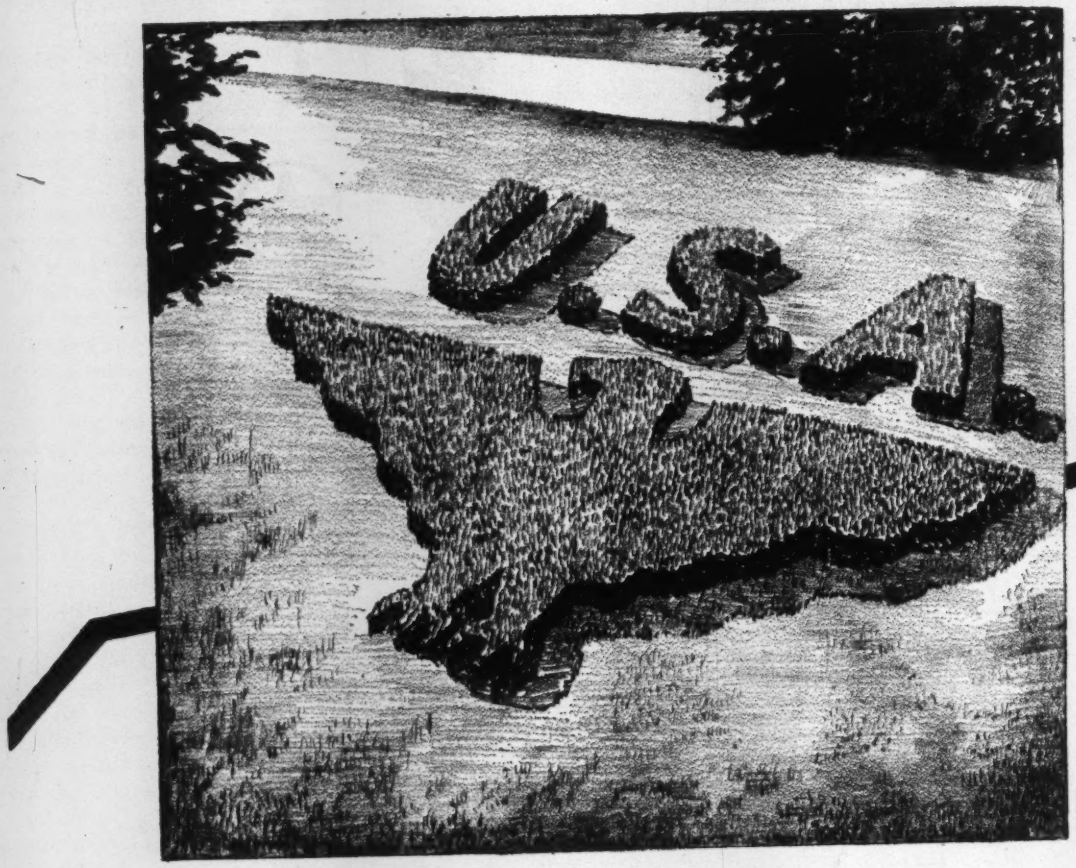
We have tabulated the answers in a brief that we will be glad to send to anyone enough interested to request it on their business stationery. Address Newell-Emmett Company, 40 East 34th St., New York.

"NOT HOW MUCH, BUT HOW WELL"

The motto of an advertising agency that for thirteen years has been rendering a service of exceptional thoroughness to a slowly growing list of important advertisers.

NEWELL-EMMETT COMPANY • ADVERTISING

Their sales story grew o



on the customers' lawns

The amateur gardener is a hardened skeptic. He's been disillusioned too often by seed-catalog pictures. How to show him, convincingly, what fertilizer will do for his lawn? This was the question that stumped the X Fertilizer Company. But its advertising agency found the way out.

The company's advertising announced a contest for the most unique lawn designs. The directions were simple. Just mark out your design on your lawn. Treat all the grass inside the design with X Fertilizer. Leave the rest of the lawn unfertilized for two weeks. Send in a photo of the result.

America's gardeners responded. Within a few weeks their designs stood out above the unfertilized lawn as an orchid among buttercups. The grass was taller, smoother, greener, free from brown-patch. The competing gardeners had given themselves a most convincing "before and after" demonstration. And the advertising agency used the winning photos to convince the rest of the gardening world.

* * * *

Your company probably doesn't sell fertilizers. It may not even have a difficult demonstration problem as a prelude to the signed order. But remember that the modern advertising agency is helping business to sell everything from turret lathes to shaving cream. And it's doing that not only by writing and placing advertising, but by finding new uses for old products, improving their packages, lining up dealer organizations, and doing a host of other jobs that aren't included in the common conception of advertising.

If you want to know the true value of employing a good advertising agency, ask the man who uses one. He'll tell you what a capable, experienced, all-around sales help the agency can be. More than that, his advertising will speak for itself. For the vast majority of campaigns that "click" have been born of the creative skill and selling help of the modern advertising agency.

McGRAW-HILL PUBLISHING CO.
INCORPORATED
330 West 42nd Street · New York, N. Y.

▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the eighth of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns. We believe that a frank discussion of the basic jobs that the advertising agency undertakes will result in a better understanding of the real functions of the advertising agency.

▲

REDUCING MATERIAL AND FINISHING COSTS

• A wide variety of products are made from Thomastrip — instrument cases, moldings, automobile parts, lighting fixtures, radio parts, metal furniture, office machine parts, etc. Your product, too, may be improved and reduced in cost by using Thomastrip. » » » High ductility permits deep stamping and severe forming. Special finishes — zinc for rust resistance—copper for appearance or the base for further plating increases product salability and cuts manufacturing costs. » » » Investigate Thomastrip. A Thomas representative will gladly analyze your requirements, without obligation.

•

SEND FOR TEST SAMPLES
Specify width, gauge and finish desired.

The THOMAS STEEL CO.
WARREN OHIO

HEADQUARTERS FOR SPECIALIZED PRODUCTION COLD ROLLED STRIP STEEL

These Did Better in First Half-Year

Company	6 Months' Earnings 1932	6 Months' Earnings 1931	Per Cent Increase Over 1931
Allen Industries	$17,912	$10,502	+70.6
Amerada Corp	552,544	d478,226	I
Amer. Commercial Alcohol	244,405	d42,942	I
Amer. Maize Products	206,798	d9,396	I
Atlantic Refining	3,185,000	d4,013,000	I
Bangor & Aroostook	1,081,741	768,628	+40.7
Cinn. & Suburban Bell Tel	1,339,803	1,329,665	+0.7
Durham Hosiery Mills	41,280	20,705	+99.3
Eureka Vacuum Cleaner	18,420	d313,582	I
Gillette Safety Razor	3,283,785	2,682,345	+22.4
Hollinger Cons. Gold Mines	1,968,433	1,503,469	+30.9
Kelly-Springfield	57,101	d281,436	I
Meteor Motor Car	13,269	10,402	+27.6
Plymouth Oil	946,501	219,838	+330.5
Standard Fruit & S.S.	841,857	733,910	+14.7
Sun Oil	2,030,918	1,049,403	+93.6
Texas Pac. Coal & Oil	416,283	d690,237	I
Tide Water Assoc. Oil	2,099,700	d1,077,465	I
United Milk Crate	56,997	27,281	+108.8
United Milk Prod.	16,527	d21,976	I
U. S. Indus. Alcohol	32,967	d527,287	I
Vadsco Sales	59,105	d68,864	I

I—Deficit to Income d—Deficit

Standard Statistics

ble to single out a surprisingly long list of individual companies which have adjusted themselves to the loss of big opportunities—or to the possibility of fresh ones. Those so far identified through reports to Standard Statistics are listed in a table accompanying this article. Some have cut costs to fit the depression, some have made sagacious changes in production or sales programs, some have supplemented stagnant old lines with profitable new ones. The list will be enlarged as names come in.

For those who are looking over their shoulders Standard Statistics has appended to these earnings reports on which *The Business Week* has compiled the percentages changes a comprehensive index which tells the story of the great toboggan with uncompromising clarity. It shows that if the 1931 level is taken as 100, comparable first half-year earnings in the 3 big corporation groups stack up like this:

Group	1929	1930	1931	1932
172 Industrials	241	176	100	14*
11 Utilities	95	97	100	82
15 Railroads	379	253	100	D

D. Deficit
*Excluding G.M. and U.S. Steel, 32

Cost of Living Is Still Above Pre-war Level

THE cost of living of a workingman's family was 4.7% lower in June, 1932, than in December, 1917, according to the semi-annual study of the U. S. Bureau of Labor Statistics. Food prices are practically at the 1913 level, being but 0.1% higher than at that time. Other items entering into the budget of the wage earner have not come so close to the 1913 level as often believed. Rent and clothing are 27.8% higher, while fuel and light are 57.1% above the 1913 price level. House furnishings and miscellaneous items remain substantially above the pre-war level. The combined items are still 35.7% above the 1913 base year.

In the past 6 months, the cost of living has declined 6.9%, with the severest decline in the cost of food, equal to 12.4%. From December to June, 1932, clothing dropped 5.7%, rent 6.2%, fuel and light 6.5%, and housefurnishing goods 8.2%. In the space of a year, the decline in the combined items of the worker's budget equalled 9.7%. In the 2-year interval ending June, 1932, living costs fell 18.5%, and a 3-year comparison with the summer of 1929 reveals a 20.3% decline. Food, which is estimated to absorb 38% of the budget, declined 35.3% since June, 1929, while clothing fell 20.8%, rent 16.9%, fuel and light 10.3%.

The downward trend in living costs has been more rapid in some cities than in others. Compared with June, 1920, Detroit and Birmingham report the sharpest drop in living costs, ranging from 44.5% to 41%, while Los Angeles, San Francisco, and Scranton show the smallest declines, approximating 33%. In the 6-month period

ending June, 1932, a faster rate of decline was noted in Chicago, Houston, and Cincinnati, ranging from 9% to 7.7%, while a slower rate was apparent in New York City and Buffalo, equal to 4.7%.

No Job Means No Fee For Employment Agency

THE practice of employment agencies which charge fees whether or not jobs are obtained is attacked by a decision of the U. S. Circuit Court of Appeals, New York. Hereafter such "service" payments in New York City must be refunded on demand. The decision is aimed at an abuse which grew up with the depression.

Employment agencies normally live from commissions obtained by placing unemployed in jobs. Revenues come from resulting wages, the agency usually receiving one week's pay of the client. With demand for all kinds of workers nearly extinct, earnings of agencies from such commissions dwindled. The "retainer fee" was instituted, was found to be practicable, was often used by unscrupulous agencies to exploit the unemployed.

"Service Fee"

In many cities agencies instituted a down-payment to cover the cost of their service. Predatory organizations sold the idea by telling the applicant that his name would be put on a preferred list, that he would receive special treatment. The names were printed on bulletins sent to employers, circular letters extolling the qualifications of the applicants were duly mailed, but with companies firing instead of hiring, such circulars often went direct to the waste basket. Down fees for white-collar workers ranged from $2 to $5. Special attention was paid to the executive class of unemployed in which brackets fees sometimes ran into hundreds. In New York, investigation disclosed one agency which took in $26,000 from unemployed workers in a year and found but 4 jobs. Formerly agencies have objected to returning the fees. Effect of the U. S. court decision will be to force refunds.

Legitimate agencies which felt justified in charging retainers have suffered from abuses of competitors. The court decision affects directly a move by New York's Commissioner of Licenses to revoke the license of the National Employment Exchange, New York, for charging retainer fees to clients seeking executive positions. The court ordered dismissed the Exchange's suit to restrain the commissioner. This agency is singled out because it agreed to make a test of the case. The organization was formed in 1909 as a philanthropic aid to white collar workers. John D. Rockefeller, J. P. Morgan, E. H. Gary, George F. Baker, E. S. Harkness, E. H. Harriman were among its founders. It has found jobs for 200,000 clerks, stenos, bookkeepers, etc.

The agencies may unite to carry the fight to the U. S. Supreme Court. It is claimed that they have as much constitutional right to charge a retainer as a lawyer who takes a preliminary fee without being able to guarantee that he will win a lawsuit.

Urge Salesmen's Mileage To Restore Rail Traffic

COMMERCIAL travelers numbered 800,000 men in 1920, and today number 150,000, according to Fred M. Lewis, of the traveling salesmen's national association. Their minimum expenditure, he estimates, was $10 a day, and points out that the 650,000 men now withdrawn from the road means a loss of $6½ millions a day to railroads, hotels, and restaurants.

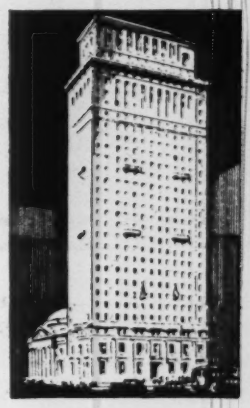
Meditating along the same line, *Sales Management* editorially urges the railroads to consider the wisdom of resuming the sale of 2-cent mileage books. Reduced transportation cost inevitably would put many salesmen back on the road, it is argued. Not only would the railroads get the fares, but also they would get freight shipments originating from new business created. Instead of favoring large buyers of mileage, the paper points out, the railroads give all their bargains to excursionists and week-end trippers, who are producers for the most part of one-time business.

St. Louis & O'Fallon Gets Its New Valuation

THE 9-mile St. Louis & O'Fallon Railroad got into the newspapers again last week when the I.C.C. issued an examiner's report putting a valuation of $1.2 millions on the road, as of 1920, that is $344,000 higher than that rejected by the U. S. Supreme Court on the ground that no consideration had been given by the commission to cost of reproduction.

The examiner apparently arrived at the higher figure by adding together $963,000 representing original cost of

Convenience



The new 30-story Girard Trust Company Building is located in the center of Philadelphia's business and financial district. It is convenient to City Hall, hotels, stores, theatres, transportation facilities and adjoins the banking house of the Trust Company.

Attractive office suites are still available

Rental Office Room 1500
Telephone—Rittenhouse 2342

GIRARD TRUST COMPANY BUILDING

1400 SO. PENN SQUARE
PHILADELPHIA

TO ADVERTISERS:—

A full-size issue of The Business Week has been prepared, entitled "Advertisers Issue." Written in characteristic editorial style, it fully describes the paper, its philosophy, features, markets and unique circulation. A copy will be mailed to advertising men, and other properly interested persons, upon request.

Advertising Department
THE BUSINESS WEEK
330 West 42d St.
New York City

N.Y.C. C.&O. B.&O. PENNSY

Wide World

BIG FOUR—*Messrs. Crowley, Bernet, Willard, and Atterbury consider what can be done immediately to further the consolidation plan. Much can be done, according to some railroaders, without spending any cash if executives and bondholders can work it out together; recapitalization and exchange of securities are among the suggestions for unification of properties. The I.C.C. is expected to authorize piecemeal and consolidations*

road and equipment brought up to 1920, and $1,216,000 for cost of reproduction in 1920 at "period" prices, and then dividing by 2 and adding $48,000 for land, $77,000 for working capital.

O'Fallon's 1920 earnings in excess of 6% are cut, by reason of the higher valuation, from $106,755 to $90,378. Half of the latter figure is payable to the government under the 1920 law which the I.C.C. and the railroads have asked Congress to repeal *ab initio*.

Combination Rate Banned As Nuisance by I.C.C.

RAILROAD tariffs are strange and wonderful to behold. Full of exceptions, cross-references, footnotes, and peculiar symbols, they cannot be deciphered by any one but an expert. Large shippers employ traffic managers who can thread the maze of rates. Lacking such assistance, small shippers frequently pay higher freight charges than they need.

The I.C.C. has resolved to remedy a situation that has led to countless controversies and complaints, all taxing its time and temper. Under the stress of moving heavy traffic speedily back in war time, the railroads adopted a rule authorizing the use of the lowest combination of rates when there is no through rate from origin to destination of the freight involved.

Many rate tariffs still are governed by this rule today. Given such latitude, traffic managers have devised combinations of "paper" rates that are nothing short of miraculous. A carload of canned goods may be shipped from Chicago to Alliance, Neb., over the shortest route but on a combination rate made via some junction point in Wyoming.

The commission has served notice on the railroads to cancel this combination rule tariff, known as "Agent Jones' U. S. 1," In future all rates on which traffic moves are to be published in black and white, leaving no room for juggling. The railroads have been given until Dec. 15 to survey the situation and publish such additional rates as may be necessary. Shippers who object to cancellation of the rule without publication of new joint or proportional rates may submit to the railroads and to the commission by Oct. 15 a list of the tariffs now subject to the combination rule under which their freight is shipped and suggest the additional rates that they believe should be put into effect.

B.&M. Eclipse Express On 85-Year Schedule

THE Boston & Maine, merchandiser of railroad service to northern New England, whose "Snow Specials" and "Boat Trains" have captured many a restless dollar, is not above taking advantage of even so transitory a natural phenomenon as an eclipse.

This particular eclipse is almost the exclusive property of the territory served by the road, swinging through New Hampshire, Vermont, and Maine, clipping the corner of Massachusetts. Various astronomical observatories have selected Conway, N. H., and Fryeburg, Me., as the places offering the best view of the spectacle.

So, on Aug. 31, for one time only, the B.&M. will run "Eclipse Specials" from Boston and vicinity to the ringside seats in Maine and New Hampshire. There, the astronomical-minded Yankees may spend 1 minute 38 seconds watching the corona and listening to the chickens going to bed at 3.30 in the afternoon. Unless it rains.

The next scheduled run of the "Eclipse Special" will be in 2017, only 85 years from now.

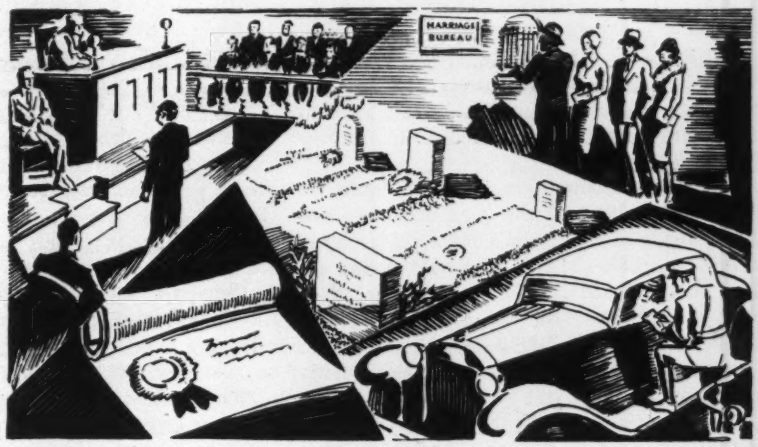
Railroads Took Hint, So Extra Fares Stand

WHEN the Interstate Commerce Commission made public last February an examiner's report recommending that extra-fare trains should be limited to one-third of the total number in operation between any two points (*BW—Feb24'32*), the railroads took the hint and lopped most of them off (*BW—Mar30'32*). Together the Pennsylvania and New York Central used to do 99% of the extra-fare business. Now there is an extra New York–Chicago charge on only the former's Broadway Limited and the latter's Twentieth Century.

Observing these things, the commission has closed its inquiry with the finding that the operation of extra-fare trains, now practiced, and the extra fares charged on such trains are not unreasonable or otherwise unlawful.

Two basic principles were laid down

A billion dollars a year—



the price of civilization

"People," as an advertiser noted recently, "are still people." Among other things, they're still marrying, still getting divorces, still dying, still becoming embroiled in legal troubles.

All this costs money—over a billion dollars a year. For the rules and customs of our civilization decree that these events shall be conducted in certain, definite ways. And Mr. Consumer must bow to these rules, must loosen his purse strings to buy a marriage license, to dissolve a marriage legally, to bury a relative in the customary fashion, to pay fines, penalties, legal costs, etc.

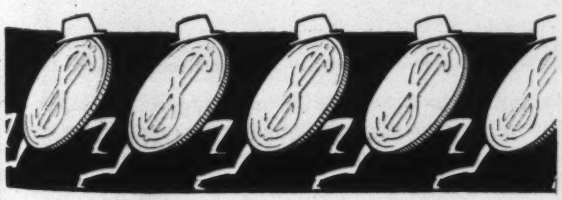
How does this concern the business man? It concerns him, as an integral part of Mr. Consumer's expenditures. Every dollar spent on these incidents of civilization leaves one dollar less for the satisfaction of other wants. Every marriage means a new family, a new home—business for *someone*. Even death has built up an enormous industry.

The seventeenth article on "The American Consumer Market," appearing in the August 17th issue of *The Business Week* analyzes the trend of these "civil expenditures" for all the years since the war. It shows how Mr. Consumer allows his expenditures for these items to be influenced by fat years and lean years. Don't miss this article. And be sure to read the other articles in this series, running weekly in *The Business Week*. For this is the first study that has ever undertaken to present *all* the expenditures of *all* the American people for *all* the years from 1919 through 1930.

It covers a thousand separate items of personal expenditure. It contains invaluable information about *your* business, *your* markets, *your* sales problems.

THE BUSINESS WEEK

330 West Forty-Second Street New York City



Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week*.

as a guide: (1) That extra fare is justified only if the service is definitely superior; and (2) the service is justified only if it is supplemental or alternative to that generally furnished.

On many extra-fare trains, the aggregate of intermediate fares was less than the through fare. The commission's examiner held that this was contrary to Sec. 4 of the Interstate Commerce Act. The railroads did not agree but adjusted the intermediate fares rather than press their argument that distance rather than time was the measure of compensation under the fourth section.

Germany Finds New Uses For Aluminum

EUROPEAN NEWS BUREAU—Germany is continuing experiments with aluminum in new commercial uses.

Since aluminum foil for printing was exhibited at the Leipzig Fair (*BW—Jun8'32*), a Berlin firm has been doing a fair volume of business in aluminum stencils. One sheet, ordinary letter size, costs only 2½¢ and can be used to make an unlimited number of copies on ordinary paper. The same company is making an inexpensive duplicating machine.

Even more recently another Berlin manufacturer has placed on the market aluminum phonograph records.

Britain Opens Loophole For Machine Imports

IN the clean sweep of protection which Britain granted to its industries recently when it inaugurated tariffs, a number of items which British industry really needed to import were included in blanket orders. Among these were certain types of machine tools, some dairy machinery, textile machines, and paper making equipment.

When the first flush of excitement over the tariffs had passed, importers called the attention of the British Tariff Commission to the fact that Britishers were paying duties on some equipment which they could not secure within the country. The result is an adjustment, announced recently, whereby on application, machinery not procurable in the United Kingdom will be admitted duty free. First reports, garbled, led the American machine tool industry to believe that the tariff had been lifted without reservation.

London, as yet, has sent no list to the United States of the items included. It is likely that the list will be developed gradually as applications for import are received and acknowledged by the commission. What volume of business is involved is not even known yet. American manufacturers looked hopefully at machine exports of about $5 millions in the first half of this year and wondered on just what items they might expand this business.

Soviets Sell Us Less But Buy Less Than That

THE Soviets are selling more in the United States than they are buying here.

Trade figures for the first 6 months are not yet complete but preliminary statistics, just available, indicate that the Soviets bought barely $5½ millions of goods in this market, while sales to Americans totaled more than $6¼ millions.

Those who have followed trade relations between the 2 countries are not surprised by Russia's favorable balance. American imports of Soviet goods are not increasing. They were more than $2 millions less than for the first half of last year. But American exports to Russia are 86% below last year's half-year total.

Germany is the gainer in the latest trade shift. Soviet orders placed through Berlin exceeded $50 millions in the first half of the year, despite the lapse in late March and April when German credits to finance the business were lagging. The British also are getting an increasing share of the business this year. Orders placed through London were especially large in April and May. The 6-month total has not yet been released from London, but for 5 months Soviet purchases exceeded $14 millions.

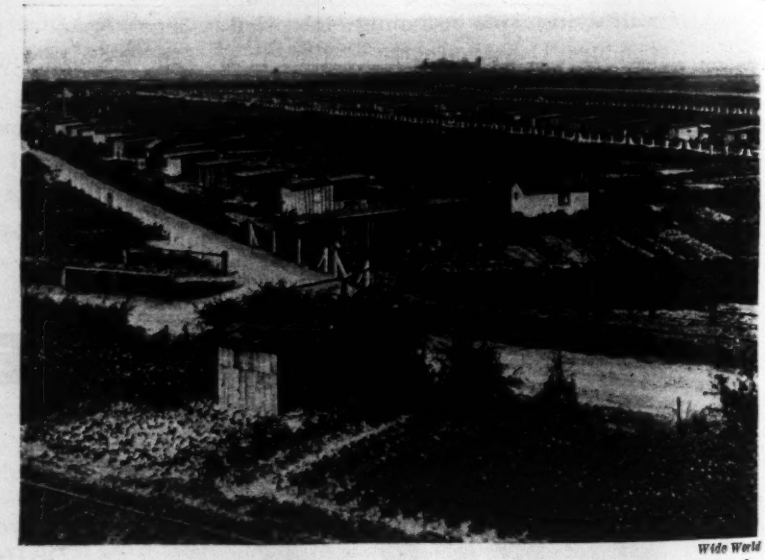
The American agricultural equipment industry is heaviest loser in this latest withholding of Soviet business. Orders in this classification slumped nearly 95% in the first half of 1932. Industrial machinery orders dropped 90%, automotive equipment 76%, and raw materials 69%.

Reichsbahn Trippers Can Insure Tickets

GERMANS no longer need to worry if they lose their railway or commutation tickets. Tickets can be insured now for only 1½% of their value.

The European Goods and Baggage Insurance Co. introduced the policy. Despite the depression, Germans are taking advantage of the special vacation rail rates which give a 20% reduction on round fare tickets.

When the idea "took," the insurance company extended the new policy to include monthly commuter tickets, or any mileage tickets valid for 4 days or more, even on the subway and bus systems of the country. Ordinary single fare tickets are not covered by the policy.



Wide World

HELP FOR THE HOMELESS—*In Germany, the unemployed go outside the cities to live cheaply. This colony, near Hamburg, was established by the city for its needy citizens. Houses are small, but so is the rent. A few cents pay for a shack and a garden plot. Instalments are acceptable*

Business Abroad—Swift Survey Of the Week's Developments

Psychological improvement continues. . . . Favorable developments: Better outlook for orderly progress in Germany following elections; improvement in commodity prices, especially new demand for non-ferrous metals; continued investment interest in securities markets; progress of British conversion operation. . . . Unfavorable: Lack of industrial recovery; less-than-usual seasonal recovery in employment; Austrian interest default; rumor of Argentine default; Bolivia-Paraguay and China-Japan war threats. . . . General tone hopeful despite lack of statistical support from industry.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Without fanfare or chaotic disorder, Germany has completed the Reichstag elections which have caused all Europe some concern for many months. Balloting failed to return any party with a majority, but results are scarcely indecisive. The outlook from Berlin is considerably brighter. The event is the major news item of the week in Europe.

Opinion is divided as to who won the election. Hitler's Nazis made large gains but failed to win a clear majority. Informed Germans believe that, numerically, the Hitlerites have passed their peak. Communists gained, too, and they might swing a balance of power if they joined with other major parties. But that is not expected. It is most likely that von Papen will remain in power. It is quite possible that certain cabinet positions will be changed to give the Nazis representation.

German Outlook Improved

The significance to business is that Germany stands a chance now of recuperating. Much that was said and written during the campaign was meant only for local consumption. Some of it was meant entirely for the effect it might create abroad. Europeans, looking now on the results of the elections, have considerably greater confidence that a responsible group will continue to govern the country, that no wild economic policies will be inaugurated, that talk of "political collapse" is extreme. It is probable that demands for reconsideration of Versailles will not be dropped. It is quite likely that foreign bankers will be invited soon to meet in Berlin to consider interest reduction on the country's foreign private debts. It is even possible that a moratorium will become necessary. But, above all, it is likely now that each new development will come in a more orderly manner. Germany is controlled by experienced diplomats who can bargain shrewdly and wisely.

Austria Defaults

If the German situation looks brighter this week, not so much can be said for Austria. Default of foreign obligations by Vienna has been expected for 6 months and has been delayed only by artificial means. Now, however, the country has failed to meet July and August interest charges. A loan could only postpone the action. European capital markets, especially London, are disturbed over the action for it is known that schillings are available to meet the payments if they could be transferred into the necessary foreign exchanges.

Interest in Wall Street

Perhaps the other most significant business development during the week was the steadiness of the securities markets and the flow of investment money to participate in the Wall Street recovery. Dollar exchange has appreciated steadily under the stimulus. Capital markets are anticipating that, if the movement continues and if commodity prices maintain recent gains, gold shipments to New York can be expected. Holland and Switzerland are likely to be the first to send gold back to New York, though France may need to ship westward before the season is over.

In the commodity markets the improvement in the prices of non-ferrous metals has been the most encouraging feature. Copper, lead, and tin, after weeks of irregular and discouraging movements, showed new strength, evidently on greater demand.

Employment Lags

Employment shows no signs of recovering further. Europe is pretty well resigned to the fact that seasonal absorption this year will remain far below normal. In Britain there is the further threat that textile workers will reach no compromise agreement with owners. Workers in the Burnley area are already out.

There are developments in the field of shipping affecting almost every maritime country in Europe. In Britain the Royal Mail muddle is being ironed out. Present plans are for the company to be divided into 2 groups, one containing principally the South American services, the other the African lines. Rumors that United States interests will take over the White Star line (New York-Southampton) are not confirmed.

German and French lines in the North Atlantic service have expressed dissatisfaction over the fare reductions and the amount of trade they have brought, but the conference has not agreed to increase fares again.

North German Lloyd and the Holland-South American line are terminating their pooling agreement governing the South American services.

France

French investors turn to Wall Street . . . . Re-exports of gold expected. . . . New trade agreements with Italy, Belgium, Spain may start larger trend away from restrictions. . . . Franco-American trade negotiations continue in secret.

PARIS (*Wireless*)—For the second week in succession the Bank of France has lost gold. After falling away sharply at the end of last week, dollar exchange has again mounted sharply, has momentarily touched the theoretical gold export point. To French business, these developments were as significant as any this week.

The rise of dollar exchange is attributed (1) to the upward movement of prices and investment activity in Wall Street, with a resulting rush of French buying, and (2) to returning confidence in the solidity of the dollar, despite inflationary developments in the United States, and in part, at least, due to budgetary weakness in France. Executives look for no "flight to the dollar" though they confidently expect that there will be some re-exports of French gold early this fall.

Activity on the Bourse expanded as the interest in Wall Street spread. Not even the bank holiday in London retarded the interest in foreign shares. German election results had been discounted in advance, but the market welcomed the reassurance. France looks for von Papen to remain in control of the government in Germany. France is fully aware of his friendly gestures since he has been at the head of the Reich. Franco-German cooperation is

expected to develop further during the coming months.

Foreign trade agreements are being pushed by the French to counteract the bad effects of the quotas. Some restrictions have already been removed on traffic between France and Belgium, Italy, and Spain. The new pact with Belgium especially attracted attention because of the volume of trade involved and because it is the result of prompt retaliation by the Belgians to the French tariff increase of last June. American business men in Paris are urging more than ever that the United States adopt similar measures, already provided in the American tariff act as retaliation against countries discriminating against American goods.

Americans Want Pact

American diplomatic representatives in Paris are not inactive. Negotiations have been under way for some time for adjustment of the trade barriers between the 2 countries but results are kept secret. The British are stressing the fact that these negotiations obviously must be inspired by the fear that success at Ottawa will force various foreign countries to look elsewhere for markets to replace purchases usually made by Great Britain.

Great Britain

Tone cheerful. . . . Markets quiet over holiday; prices firm. . . . Mixed feelings over Ottawa. . . . Industry urges Soviet trade.

LONDON (*Cable*)—There was no outstanding feature of the business week in Great Britain. The tone remains cheerful. The number of inquiries is much more encouraging than the number of orders, though a few industries, such as rayon, are doing a good business. The conversion operation is progressing favorably.

The fall in the exchange rate of sterling, while discouraging international investors, is beneficial to the export industries. London credits the recent decline in the pound to the rush of investment money to Wall Street and to the fact that there is almost no official support. There is no anxiety that it will continue to fall for any length of time. It is pointed out that the franc also sagged during the week on heavy French buying in New York investment markets.

London refuses to look on the deadlock in the German Reichstag as a negative development. Hitler's defeat is viewed with satisfaction. Business is ready to expect improvement in the German situation with the extreme political uncertainty removed. There is still confidence that the agreement reached at Lausanne is going to bring good results.

Firmness of stocks and bonds despite the holiday lull and the depreciation of sterling is interpreted as a sign that distrust of the future is disappearing. Confidence in the country's credit structure is developing.

Problems at Ottawa

There are mixed feelings over Ottawa. The conference is obviously getting down to serious bargaining now. The British are not wholly pleased with the demands that have been made by the dominions when compared with what they have offered Britain.

It is reported from Ottawa that various members of the empire are doing some quick calculating among themselves. Anything that is to be secured for empire beef in the British market, for example, is to be left to Australia and South Africa. New Zealand is to have right of way in the case of lamb because of the prestige of the New Zealand product in Britain. Australia and New Zealand have demanded special advantage for their butter. Canada is to get a free field for cheese, and will be the principal beneficiary from any British concession to empire bacon, ham and live cattle. There is no friction in the matter of empire fruits. Britain is insisting on making provision in the case of beef for taking care of her Argentine trade. An empire preference is likely to be set up on copper, which will benefit Canada and Southern Rhodesia.

These are the trends of the bargaining among the dominions. It depends now on how much they are willing to offer London for a special chance to market these products in the great United Kingdom market.

London Courts Moscow

Despite the demands of the dominions at Ottawa that Soviet dumping in Great Britain be curbed, London is not unmindful of the volume of Soviet business which has already come to Britain and of the larger volume which has been lost because London has been reluctant to grant credit. The Russo-British Chamber of Commerce recently sent a delegation to the Board of Trade to seek more favorable trade conditions. Certain credits, they point out, have been absorbed and no new ones created to replace them. The result is that millions of pounds of orders have gone to other markets where more credit is available to finance Soviet orders.

A representative of the Chamber, just returned from Russia, declared that for every Englishman of responsible position who visited the Soviet Union, there were probably 50 Germans and 20 Americans. The Chamber urges representative Britishers to visit Russia and gain first-hand knowledge of what is happening there, of what the Soviet needs in the way of equipment which Britain can produce.

Germany

Elections lift German tension; results indicate continuation of von Papen government, possibly with some Hitler cooperation. . . . Markets comparatively calm. . . . Industry in summer doldrums.

BERLIN (*Cable*) — Germany, and all Europe, is relieved that the tensely awaited Reichstag elections are over. While the results are indecisive, inasmuch as no party or natural coalition of parties received a majority, the quietness with which the results have been accepted in the Reich indicate that no major crisis is likely in the near future.

Hitler Fails to Win

The Hitlerites, while they more than doubled their representation in the old Reichstag, control only 37% of the votes in the new legislative body. The communists, with fresh gains, could create a clear majority if they were to side with either the Right, or more moderate Left wing. Neither move is expected. Germans, rather, look for a continuation of the von Papen government with, perhaps, certain key positions held by strong Hitler followers. Cooperation between the present interim cabinet and the Hitlerites is not yet assured. There are negotiations between General Schleicher (real authority behind von Papen) and Herr Hitler. The outcome is uncertain but it is likely to be known soon for the Reichstag is due to reassemble in August. If it is found that it cannot function because there is no clear majority, it is expected that the von Papen group will seek the constitutional right to govern without the Reichstag.

In Germany, the drastic pre-election measures taken by the acting government are accepted calmly. Secession talk by some of the southern states is now credited to campaign propaganda. Talk of a general strike is discounted. Trade unions have remained calm

throughout. Hitler cocksureness was much less evident in the last few days of the campaign, and this is interpreted as evidence that Hitler is willing to bargain with von Papen. Almost certainly he will ask that a new Reich cabinet be formed in which important posts would go to Hitler men. He is likely to ask too for the removal of the dictatorship over Prussia and the appointment of a new cabinet dominated by Nazis.

Berlin Optimistic

Whether or not business wholly approves of von Papen, the prospect that the present cabinet will carry on is accepted bullishly. Unless the Hitlerites should attempt a coup d'etat, which seems increasingly unlikely, the threat of chaos has passed.

The Boerse remained firm throughout the week. While bond sales were not large, prices were firm. Stocks reacted slightly over the weekend, soon recovered.

The report of the Reichsbank at the end of July, which showed that gold holdings had increased slightly, was favorably received. Inasmuch as maturing bonds are not being paid, it is not likely that there will be any immediate heavy drain on gold reserves.

Since the Lausanne conference, there has been an increasing demand for a unilateral reduction of interest rates on foreign private debts as the only means of solving the problem of Germany's foreign indebtedness. Dr. Hugenberg, the nationalist leader, made an important part of his campaign addresses an appeal for an all-around reduction of interest rates on foreign private debts to 2%. This reduction should, by way of compensation, be combined with an accelerated repayment of principal, say at the rate of an amortization of 3% a year. The foreign creditors, according to Dr. Hugenberg, would gladly accept this reduction of the interest rates, if there would be a better prospect for the repayment of principal.

Reich Wants Lower Interest

A request that this plan be adopted by the present government was evaded by von Papen, though he is known to favor the idea generally. The more thoughtful element in Germany has long realized that it is necessary to reduce interest rates on Germany's foreign private debts, as well as on the public debts, or the country must declare a moratorium.

Industry is definitely under the influence of the summer lull. The building trades are operating at barely 15% of capacity. Cotton spinning shows no improvement despite the general agreement to curtail production to 50% of capacity. Rayon, and cotton cloth, and the woolen division of the textile industry have shown moderate improvement recently. The steel industry is operating at 20% to 25% of capacity, is hoping for more Soviet orders now that banks are considering a new extension of credits on this business.

Despite the statistical evidence to the contrary, sentiment generally is more optimistic than a few weeks ago. Constructive developments are expected in the next few months which will considerably improve Germany's economic prospects.

Far East

Sino-Japanese tension renewed on west Manchukuo border; activity includes acute farm situation in Japan, spreading communist threat in China. . . . Advancing silk prices most encouraging feature of Far Eastern outlook.

SINO-JAPANESE friction is serious again. China refused to handle mails from Manchukuo. Then, because customs revenue from Dairen was withheld, China refused to make the summer payment to Japan of the Boxer indemnity. This finally was settled, on both sides. Now, Japanese military maneuvers around and over the province of Jehol are keeping the Chinese in a continual state of "nerves."

There are sound reasons for the reactions of both the Chinese and Japanese governments. In China, communism is more rampant probably than at any time in the past. Even the northern area is not free from it. Nanking officials are still nominally in control, but their position is unstable. If they center attention on troubles in the north, and particularly if they can concentrate the attention of the League of Nations commission on "Japan's aggression," they will cover up in part their own weakness.

Japan is in an equally difficult position. Farmers are facing the hardest times they have experienced in years. Famine is likely this winter unless the government takes prompt and aggressive moves to aid them. The Manchuria campaign, and later the Shanghai episode, successfully covered up the gravity of the situation a year ago. It is doubtful now if the new aggression at Jehol will do as much. It may help to justify the present government's apparent intention of dropping out of the League of Nations this fall when Tokyo's present policy in Manchuria is expected to be attacked.

The most encouraging feature of the week's economic developments in the Far East was the better outlook for silk. Raw silk prices advanced again, and demand from the United States promises to be fair. Stocks are low and new styles call for heavier silk cloth which will require almost twice as much raw silk per yard of cloth as was used in last year's popular textures.

Latin America

Rumor of Argentine default on foreign debt. . . . Brazil still shrouded in censorship. . . . Salvador resumes foreign debt payments.

NEWS from Latin America was less encouraging this week, though there were no real grounds for deep pessimism.

Business men from New York to San Francisco were most concerned, probably, over rumors from Argentina that the country might go into a temporary default on service charges, on foreign loans. The balance of trade in the Argentine has been favorable for nearly 2 years and the payments due abroad on the public debt might easily be met if the government had been less liberal in its foreign exchange policy. If the default actually comes, it will be because of political pressure within the Argentine to maintain this freedom of exchange rather than to curtail enough to save the required foreign exchange. Developments in the last 3 or 4 days have made Wall Street more skeptical than hopeful.

Brazil remains a question mark. Almost no news has come out of the country, indication in itself that all is not well. How extensive the fighting between rebels and government troops may be is unknown, but coffee ports have been closed and transfer business with the outside world interrupted. Until the censorship is lifted, foreign business men are moving cautiously.

Salvador Ends Moratorium

Costa Rica is considering a 3-year moratorium on foreign debts, but Salvador is making arrangements to resume payment of interest on foreign debts.

Negotiations over final details of market allocation are continuing in Europe among the members of the nitrate cartel. Chile, however, seems destined to benefit, for bankers in New York and London already are more optimistic over refinancing possibilities for Cosach.

The Figures of the Week And What They Mean

Sentiment in the iron and steel industries is said to be buoyant in spite of the discouraging current situation. . . . Activity has receded to 15% of capacity as motor manufacturers cut production schedules sharply. . . . Construction took an upward turn during July on the strength of public works and non-residential building awards. . . . Coal production is making a late seasonal recovery. . . . Electric power consumption is rising very slowly. . . . . Carloadings, check payments, and currency circulation declined. . . . Commodity prices remain firm, with noticeable improvement in the non-ferrous metal markets.

THE remarkably cheerful sentiment which is said to prevail among steel buyers and producers obviously does not spring from any survey of the present situation. August now opens with activity at 15%, a slight decline from the 16% of capacity level which was maintained for 3 weeks. Both automotive and structural steel demand has been curtailed in the past week.

Pig iron production during July set another new low record, with daily average output 11.4% below June following a 17% drop from May to June. Total tonnage aggregated 572,296 tons against 628,064 the preceding month.

Automobile production felt the effect of a sharp curtailment in activity at the Ford and other plants which Hudson-Essex could not offset. June sales of passenger cars reached a new peak for the year with registrations placed at 148,920 compared with 131,192 in May. This figure includes an estimate for the state of Georgia. The gain for the month equaled 13.5%, but sales are 26% below a year ago. Total passenger cars registered in the first 6 months of 1932 totaled 663,726, according to R. L. Polk, while production of passenger cars numbered 730,808.

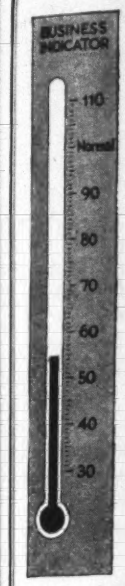
June saw the peak month of passenger car production in the United States, but the decline in the output of trucks offset this gain, so that May holds the laurels for total production of motor units this year. Production of motor vehicles in the United States and Canada during June numbered 190,204 compared with 192,505 in May. July estimates are now placed around 160,000, with August even lower. Hence the motor industry cannot be expected to boost steel activity this month. September remains doubtful as yet, with plans for beginning new models still hazy.

Freight Car Obsolescence

The *Iron Age* feels that the railroads may agree to some plan for scrapping obsolescent freight cars and ordering new ones with funds provided by the Reconstruction Finance Corporation. A number of the roads are likely to be reluctant about increasing their debt load at a time when traffic continues to run light. Moreover, some 750,000 surplus cars are now available. In the first 6 months of 1932, Class I roads put 1,927 new freight cars and 34 new locomotives into service compared with 6,951 freight cars and 89 locomotives in the same period of 1931. On July 1,

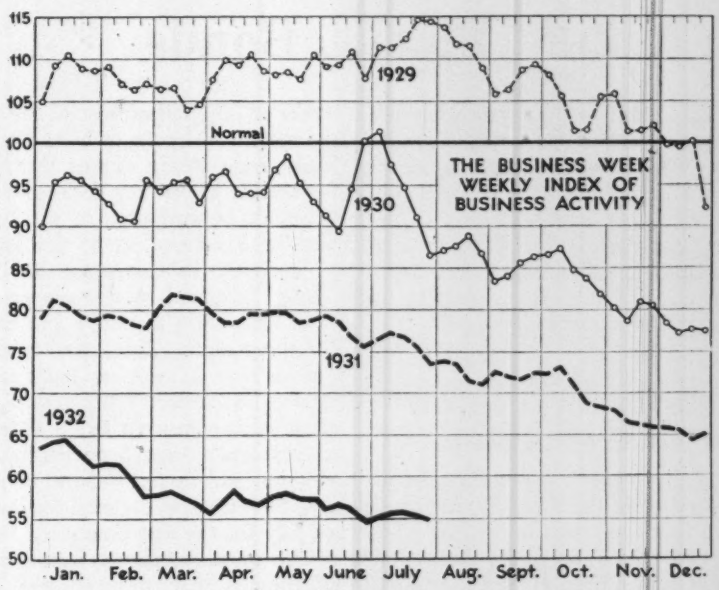
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*54.9	†55.6	73.4	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	15	16	31	65
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,098	$4,709	$12,070	$20,868
Bituminous Coal (daily average, 1,000 tons)	*727	†693	1,126	1,409
Electric Power (millions K.W.H.)	1,440	1,434	1,644	1,594
TRADE				
Total Carloadings (daily average, 1,000 cars)	84	84	124	161
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	57	58	82	103
Check Payments (outside N. Y. City, millions)	$2,516	$2,883	$3,543	$4,846
Money in Circulation (daily average, millions)	$5,718	$5,751	$4,812	$4,708
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .46	$.44	$.43	$1.01
Cotton (middling, New York, lb.)	$0.60	$.058	$.082	$.158
Iron and Steel (STEEL composite, ton)	$29.46	$29.46	$31.06	$34.39
Copper (electrolytic, f.o.b. refinery, lb.)	$.050	$.050	$.073	$.127
All Commodities (Fisher's Index, 1926=100)	60.9	60.8	69.3	88.6
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	2,430	$2,439	$952	$1,171
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,334	$18,333	$22,296	$22,052
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,405	$6,410	$7,942	$8,648
Security Loans, Federal Reserve reporting member banks (millions)	$4,587	$4,618	$6,544	$7,142
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$331	$332	$1,390	$3,596
Stock Prices (average 100 stocks, Herald-Tribune)	$80.46	$77.48	$117.91	$154.04
Bond Prices (Dow, Jones, average 40 bonds)	$75.07	$73.21	$94.97	$95.39
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.8%
Interest Rates—Prime Commercial Paper (4-6 months)	2¼-2½%	2¼-2¾%	2%	4.1%
Business Failures (Dun, number)	609	†636	483	444

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



they had 1,951 freight cars and 6 locomotives on order against 8,963 freight cars and 36 locomotives a year ago. If the roads can be induced to embark on such a make-work program as is contemplated, the steel industry will be a substantial gainer.

Tin plate production is tapering as the season approaches its end. Operations are now estimated at 40% or less. Bookings of fabricated structural steel in June totaled 86,800 tons compared with 90,800 in May.

Construction Contracts

July promises to exceed June in the volume of construction contracts awarded, though the rate has been declining somewhat since the early part of the month. The adjusted index for the period ending July 29 declined a point to 29% of normal.

The bulk of the awards remain in the field of public works and utilities, particularly in the former, though in the last few days of July this group was exceeded by the non-residential building classification. Over $10.1 millions of contracts fell in the public works and utilities class at the close of July, and $12 millions in the building group for non-residential purposes.

Residential contracts totaled only $5.4 millions, the only group that will not show improvement over the preceding month. But since a downward trend is customary, the decline is not altogether discouraging. Total contracts awarded in the last week of July aggregated more than $27.5 millions.

Bituminous coal production indicates a slight improvement over the unusually low levels of June. The adjusted index for the week ended July 23 rose to 36% of normal. Output in June for both bituminous and anthracite was lowest except for strike months since monthly records were begun in 1905.

Electric power production continues to make improvement very slowly, but has not yet reached the level that prevailed before the July 4 holiday. The index remains unchanged at 72% of normal. The greatest decline compared with a year ago continues to be in the central industrial region. For the country as a whole, power output is 12.4% below a year ago compared with 13.1% a week ago.

Railroad officials can secure little comfort from the weekly reports on carloadings, which to date give no evidence of increased trade activity. June net earnings thus far reported indicate a 72% drop, with the 6-month period some 52% behind last year. Last week the Norfolk & Southern Railroad quietly entered the hands of receivers. With such a dreary record on hand, it is easily understandable that the roads should hesitate to further burden themselves with a scrapping and repurchasing of equipment program. Nor can they lend a willing ear to the demand for freight rate reductions which continue to crop up. Discussions of further wage and salary reductions are becoming more frequent as a means to reduce expenses. Miscellaneous and less than carlot loadings declined during the week of July 23, but the adjusted index remains unchanged at 49% of normal.

Check payments for the week ended July 27 declined for the third consecutive week in the 140 cities outside of New York, lowering the index slightly to 61% of normal. The decline was less marked in 9 financial centers outside of New York than in the 131 small centers and New York City.

Bank Reports

Currency circulation declined during the week ending July 30 at a time when ordinarily the autumn rise commences. Seventeen banks were suspended during the week, bringing the July total to date to 112. A number of banks in Wisconsin shut off withdrawals for a period of 6 months under the new Stabilization Act of the state, and were thus able to continue their business. Mutual savings banks report a 72,468 gain in the number of depositors in the first 6 months of 1932, bringing the total number of accounts to the record figure of 13,432,139 with deposits of over $9.9 billions.

Commodity prices continue to make a good showing. The non-ferrous metal markets showed particular improvement. Copper is firm, while increases have appeared in tin, lead, zinc, silver.

Wheat and corn prices improved toward the close of July, but were unable to maintain the gains. The same was true of cotton, silk, rubber and cocoa. Sugar is higher; coffee, hides, hogs and cattle are firm.

Trends of the Markets In Money, Stocks, Bonds

Failure of Federal Reserve efforts to check member bank credit contraction offsets favorable effect of security market improvement. . . . Stocks enjoy first flurry in many months against background of better business sentiment and anticipation of fall expansion. . . . Steady strengthening of bond prices is more significant.

Banks Improve Position But Not Credit Policy

THERE is very little in the financial picture to explain the sharp rise in security prices which has been the feature of the past two weeks. So far as the position of the banks themselves is concerned there has been some improvement in liquidity. Member bank reserves increased during July, and excess reserves in the system rose to about $250 millions. But this excess of reserves is still badly distributed, the rise during July being confined to the New York City member banks, while reserves of outside banks declined somewhat. Borrowings of member banks outside New York, which tended to rise during the early weeks of July, fell off toward the end of the month. Deposits of New York City banks were steady during the month; for outside banks they declined sharply.

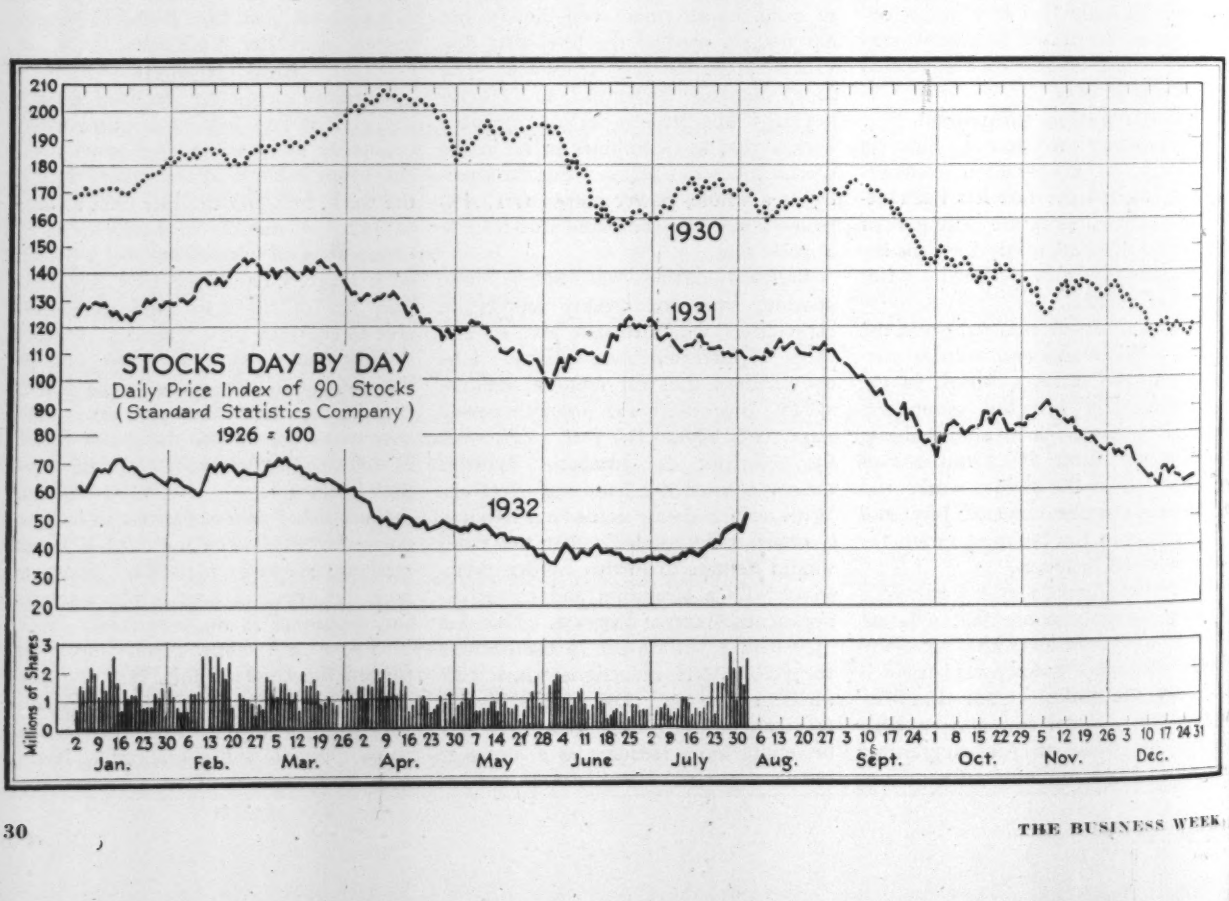
Recent improvement in the banking position has been due to the tendency of currency in circulation to decline during July, and to the net inflow of gold amounting to nearly $50 millions for the month. These factors making for increase in member bank reserves rendered unnecessary any very vigorous effort of the Reserve Banks to expand reserve credit through open market operations, and in fact volume of reserve credit outstanding declined the last week of July for the first time since March.

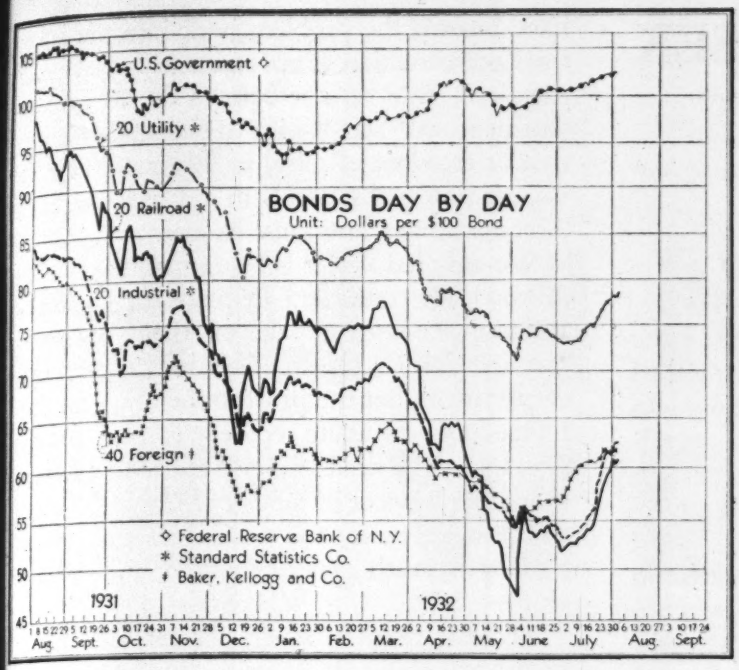
The most significant feature of the situation is that, despite these indications of increased bank liquidity and improved reserve position, the contraction of member bank credit continues without any decisive evidence of cessation or slowing up. The rate of decline is amazing. Total loans and investments of weekly reporting member banks have dropped by $2 billions since the beginning of the year. This liquidation has occurred altogether in loans and discounts, since investments of the member banks are about the same now as at the outset of the year. It is difficult to see how any significant business recovery can take place in face of continued deflation of this drastic sort. No business upturn ever occurred in this country while bank credit was contracting.

Money rates remain extremely easy, with call money in the unofficial market holding down to 1%, and commercial paper rates tending to ease further. Efforts to stimulate demand for credit or more liberal lending policies on the part of banks have so far failed to have much effect. The abundance of funds seeking safe investment is sufficiently indicated by the 7-times-over subscription to the last offering of 2- and 4-year notes by the Treasury. The longer term, 3¼% note issue was specially sought, 10 times oversubscribed, and both issues are selling at premiums. This is a good symptom of easing of long-term money rates, and may encourage the Treasury to consider larger-scale refunding operations; but it does not yet mean much so far as the cost of long-term capital for private business is concerned.

Stocks Make the Most Of a Speculative Urge

THE market advanced steadily during the last three weeks of July, and especially sharply in the last week of the




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ✧
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
✧ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept.

month. The rise in the averages was about 40%, with the active leaders showing gains ranging from 30% to 50% for the period—about the largest upturn percentage-wise during the whole bear market. Volume of trading rose on the heaviest days well above 2½ million shares, bringing the first flush of joy to the boys in the brokerage houses who had been living like bonus veterans on the beggarly business of a half million shares a day for many moons, and needed no tear gas to make them weep about it.

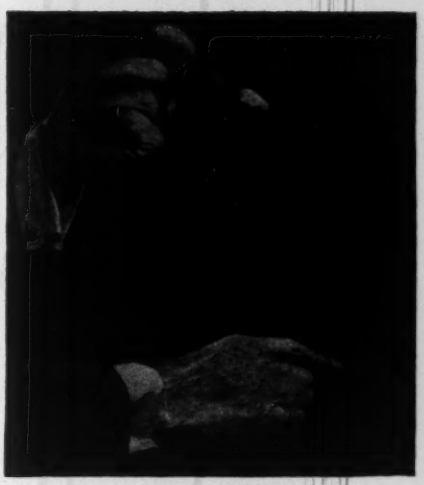
Old-Fashioned Push

It was a good old-fashioned, full-fledged and well-performed speculative push, without much significance from the investment point of view or much tangible basis of business improvement. The market wouldn't go down easily any more, and it is an old rule that when it won't go down it may be put up. Although a little out of season, except in the political sense, the movement had a good sentimental background in the favorable events of the preceding month—cessation of gold exports, reparations settlement, Congressional adjournment, improvement of commodity prices, newspaper whoopee about employment pickups, etc. A few active and somewhat bored speculative interests tried the market out on the up side with some vigor, and it took. There was considerably greater following than was expected, much of it apparently on a cash basis, and with foreign buying an important influence.

Bond Rise Leaves Capital Still Cautious

THE continuous rise in the bond averages practically throughout July is much more impressive than the accompanying speculative operations in stocks. It is pretty well understood by now that in the present situation the bond market is the more basic indicator of business prospects and that recovery is unlikely without resumption of new financing of capital improvements, which requires a restoration of normal bond prices and a vigorous revival of individual and institutional bond buying.

Although the course of the market during the past month has been encouraging because of the broad, continuous advance and the clear evidence of increasing individual investment demand, the improvement has not yet gone far enough to warrant great enthusiasm about the prospects of prompt revival of new financing in large volume. The rise of ten points in the Dow, Jones averages is the sharpest upswing seen in more than 4 years, but it still has a long way to go to wipe out the decline during the acute phase of financial panic in the first 4 months of the year. Long-term capital is still scarce, scared, and costly. Though some of the expected Insull company refinancing has been forthcoming this week, with the Commonwealth Edison issue well received, new issues are so far solely distress refunding and very carefully groomed.



SECURITY in Steady Hands

"His trembling hand had lost the ease which marks security—"

—Sir Walter Scott

The great Scott, novelist, poet, philosopher, knew men well—all those little indicators such as *trembling* hands which so reveal mental and physical condition.

Possibly your own hands tremble a little under the stress of these days. It may be that you are smoking too much—that is, *smoking too much nicotine*—and *too much nicotine* will take that "ease which marks security" out of any man's hands. To avoid nicotine, thousands of men are switching to *SANO*—(all-Havana filled cigars, English blend cigarettes and the finest mixture of pipe tobacco) all held by periodic laboratory test to contain less than 1% nicotine. Smoke as much as you like—no after-affects—no inward fear of smoking *too much*.

Switch to *SANO* for *two weeks*. You'll *feel* better, *look* better, *think* better and what's more you'll enjoy smoking more than ever. All the taste, all the flavor, all the tobacco enjoyment and blow-joy are *in* but the bulk of the nicotine is *out!*

If you cannot buy *SANO* at your favorite tobacco store use the coupon below. 100,000 men have switched to *SANO*.

SANO

B. 3

MEANING SAFE

Health Cigar Co., Inc. (SANO)
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THE BUSINESS WEEK

The Journal of Business News and Interpretation

August 10, 1932

More Forgotten Men

UNDER the Administration's program and the agencies with which Congress has implemented it the public credit has been and is to be used on an unprecedented scale to protect bank depositors, prevent distress liquidation of securities and real estate, supply current credit requirements of farmers and business concerns, support railroad solvency, promote public construction and home building, and provide emergency unemployment relief for workers. Almost every group in our economic structure is to have a helping from this cornucopia of public credit because the private banking and investment machinery has broken down. The purpose of this program is to check the devastating process of deflation and promote credit expansion upon which resumption of employment and restoration of consumer purchasing power depend.

This purpose has our enthusiastic approval. We have been urging the necessity of such efforts, unorthodox as they undoubtedly are, for more than two years, and we have nothing but contempt for those crabbed counsellors among the financial scribes who still insist that they are sinful folly and that we must let deflation take its course, even though it lead through universal bankruptcy, blood, and chaos.

We hope these efforts will succeed, and whether they do or not we believe they are justified by the circumstances and by considerations of courageous statesmanship. But if they are to succeed they must be comprehensive, persistent, unfaltering, and above all they must not fail to be applied to those points in the economic structure where their force may be most effective.

The maintenance and improvement of our industrial equipment is one such point, and it has so far been forgotten in the far-reaching use of public credit. The Federal Reserve authorities definitely refused this week to lend the direct support of the Reserve banks for this purpose, despite the provisions of the Relief Act, and have thrown the problem back into the lap of the Reconstruction Corporation and the Administration. We do not believe the Reserve authorities have acted with sufficient farsightedness or freedom of mind in this matter, but the issue is now put squarely to industry and to the Administration, and must be met.

We are glad that it is being met, so far as the railroads are concerned, by plans for supporting maintenance and repair of their equipment through R.F.C. credit. This may create some employment, but the problem of using the public credit to stimulate recovery is much broader than that. The need of credit aid for modernization of equipment in industry as a whole as well as the opportunity for expanding employment thereby is much greater than for the railroads alone.

There is quite as much obsolete and uneconomic machinery in American industry as there is rolling stock on our railroads, and the burden it puts on business is quite as serious. The unemployment and curtailment of purchasing power of workers in the industries producing capital goods has been far more severe than in any other group of occupations, and as a group these industries are of dominant importance to the progress of American business.

Business cannot recover till these workers are employed. All of our industries need, and intelligent management in them desires, more efficient and up to date equipment in order to operate profitably at prevailing price levels and meet the increasingly keen competition of foreign countries. If these workers and this forward-looking American industrial management are to remain among the forgotten men, and the Administration measures make no effort to meet their needs, then these efforts must inevitably fail of their fullest effectiveness.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $7.50 a year, U. S. A. and possessions. Foreign $10.00 or £2.10s. Cable code, Mcgrawhill

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